ECONOMIC ANNALS OF BENGAL

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ECONOMIC
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PREFACE.

In the domain of Economics, modern India began in the eighteenth century, while in the domain of Politics, it began in the nineteenth. For the first faint origins of most things in our modern trade and industry, we have to go back to the eighteenth century. At the very beginning of that century, the province of Bengal broke away from Delhi, and in matters economic, no less than political, lived a life of her own, practically uninfluenced by the conditions prevailing in Upper India. Bengal was then undoubtedly the richest of all Indian provinces, in agriculture, manufacture and commerce.

It was from such a province inhabited by an industrious and peace-loving people "that the English power first struck inland into the heart of the country and discovered the right road to supremacy in India." During the latter half of the eighteenth century, the wealth of Bengal not only provided for the Company's 'investment' but furnished also the sinews of the various wars which brought the greater part of India under British rule. The rise of the British commercial and political power in this country is therefore closely connected with the economic annals of Bengal during this period.

The gradual organisation of Bengal commerce with a view to foreign markets, the predominating influence of this factor on our internal production and inland trade, and the supremacy of the economic factor in our political history, are all characteristic of the eighteenth century. It was towards the end of that century that the reflex action of the Industrial Revolution in England began for the first time to be felt in Bengal, though its full impact came after the downfall of Napoleon. It is true that railways and machinery, mines and factories are the

creations of the nineteenth century. But these are only later manifestations of the forces, first set at work in the eighteenth century which is therefore of supreme importance to a student of the economic history of India.

But such a history cannot be written unless spade work is first done by a specialised study of the period. Unfortunately this has long been overdue. Except land revenue, no other aspect of the economic history of Bengal has yet been systematically examined. The present volume attempts such a study of the hitherto neglected aspects of the economic life of our province from 1757 to 1793. Different phases of the economic condition of Bengal have been taken up and the net conclusion has been put in a general form. The evidence for each conclusion has been indicated for the verification of the writer's views and statements. A study of this kind is apt to be dull to the general reader, but unless work on such lines is attempted, the economic history of India will never pass beyond the *dilettante* stage.

The first Chapter is merely introductory and deals with the fifty years antecedent to the period covered by the rest of the volume. The treatment of the subject in this Chapter is necessarily brief and it is based chiefly on the published accounts of previous writers. The succeeding Chapters, however, which form the main work, are founded on a variety of materials, most of which has never before been used by any worker in this field. In addition to the mass of printed information indicated in the Bibliography, the manuscripts in the Imperial Records Office, Calcutta have been freely utilised. The manuscript records of the Bengal Secretariat and the Dacca District Records have also been consulted.

In the second Chapter a statistical estimate has been made of the 'drain' of wealth from Bengal in the period 1757-1780. It has been found on a study of the different items, based on original records, that Digby's estimate is exaggerated. The various causes that led to the decline

of the cotton industry in Bengal have been analysed. An examination of all available materials of the period, official and non-official, while corroborating in some respects the current theories on the question, has exposed the falsehood of stories like the East India Company having cut off the weavers' thumbs. The condition of labour in the cotton industry alone has received the attention of previous writers. Although not to so important, there were other manufactures in Bengal, like silk, salt and opium. The labour condition in these industries has been studied here for the first time, mainly from original sources.

The wealth of materials contained in the state papers has enabled the writer to give a fairly full account of the history of Bengal commerce in this period. The different items of trade have been separately considered both as regards their value and volume, and the world factors affecting the character and direction of trade have been indicated as far as possible. The beginning of American trade in Bengal has been traced, the trial shipments of Bengal jute to England and of English muslin to Bengal have been described, it is believed for the first time, in this volume. The inland trade of Bengal at that time was no less important than the foreign trade, and has been discussed in some detail, especially with reference to the various restraints to which it was subject.

More than one third of the book deals with currency. When the English first came into power, the currency problem in this province was such as to dishearten its most ardent reformer. It was at once acute and complex. Not only were different kinds of rupees then in circulation in different districts of Bengal, but even in the same district different commodities had to be exchanged with different kinds of rupees. A greater chaos cannot be imagined. During this period, bimetallism was thrice adopted in this province. A detailed account of "the battle of the standards," bimetallism *versus* monometallism, that was waged has been given. The struggle was no

less keen than a similar struggle in Europe about a hundred years later.

After the breakdown of bimetallism in the seventies of the last century, the Latin Union adopted the limping standard. Something like this was introduced by Hastings in 1777, after the failure of the second attempt at bimetallism in Bengal in 1769. Many other interesting facts, such as, a scheme of state paper currency as early as 1780, the establishment of a Currency Committee in 1787, the servants of the East India Company possessing a sound knowledge of current economic theories, have been brought to light. The erroneous date given by the Mint Committee of 1792 as to the adoption of the same regnal year (19th *sun*) on all *sicca* rupees to be coined in future has been corrected.

The account of Bengal currency during the latter half of the eighteenth century affords an interesting parallel to the monetary history of our times. The periodic increase of *batta* on gold mohurs which perplexed the Bengal Government for over thirty years was due to the seasonal stringency of money—a problem which has not yet been satisfactorily solved. The permanence of the *batta* even in slack seasons was no doubt due to the overvaluation of gold. But even now we have failed to fix a satisfactory ratio between the rupee and gold, though we abandoned bimetallism long ago. The problem then was to get rid of overvalued gold and introduce silver monometallism. Our problem is to dispose of the silver and to adopt the gold standard. In 1796, Sir John Shore considered silver monometallism in Bengal as out of the question, because at least two crores of rupees worth of gold would immediately be thrown upon the Treasury. Exactly similar argument has been used by the Hilton Young Commission in 1926 in rejecting gold currency for India. The currency history of Bengal in early British days has thus more than a mere antiquarian interest.

The study of the old Records has been no easy task.

Some of them are falling to pieces and paper has been pasted on, making it almost impossible to read them accurately. Bad handwriting, mistakes in copying, quaint spelling and the fading of ink have been some of the difficulties. The arrangement of the Records is mainly chronological, and as they dealt with various matters unconnected with Economics, much time had to be spent upon the selection of the papers. Records in which useful information was anticipated, have often proved quite disappointing, whilst interesting matter has sometimes been found in papers where it was least expected. Some relevant documents are missing, and much valuable information of which we have only a passing reference has not been recorded at all. All this has made the writing of a connected account extremely difficult, and no one is more conscious than the writer of its many imperfections.

In quoting from papers of the Public Department in the Imperial Record Office, the following abbreviations have been used:

O. C. Original Consultations. These refer to the actual minute or to any other matter which formed the subject of deliberation. Thus O. C. 3, May 13, 1791 refers to the third item, discussed on May 13, 1791.

P. P. Public Proceedings. These are mere copies of the Original Consultations, recorded in the Proceedings Book. Thus P. P. May 1791, pp. 1442-1443 refers to pages 1442-1443 of the Proceedings Book of May, 1791.

In the case of many papers, the O.C. has a corresponding P.P. Thus P.P. May 1791, pp. 1442-1443 and O.C. 3 of May 13, 1791 record the same matter, *viz.*, a letter from Mr. Harris, the Mint Master. But with regard to some topics, only the O.C. is available, the matter not being entered at all in P.P. On the other hand, some O.C.'s are missing, but fortunately their corresponding P.P.'s are available. In some cases neither the O.C. nor the P.P. is extant in Calcutta. Copies of such papers have been obtained from the India Office, London. These

have been referred to as I. O. Cons. (*i.e.*, India Office Consultations).

In quotations from the records, the actual spelling has been retained, but the use of capital letters has not been adhered to, nor the punctuation of the original. Indian terms which are not to be found in standard English dictionaries have been italicised and explained in the Index and Glossary.

The actual rate of exchange between the rupee and sterling in different years cannot be ascertained. Some figures have therefore been quoted in sterling and others in rupees, as actually found in the books or reports from which they have been taken. For a rough comparison, 2 shillings may be taken as equivalent to one current rupee, which was the normal rate throughout the period.

The writer wishes to express his obligations to Sir William Foster of the India Office, to Mr. John Allan of the British Museum and to Mr. W. H. Moreland, for kindly replying to some of his queries. His thanks are due to Mr. Abdul Ali, Keeper of the Imperial Records, Calcutta, and to his staff for the facilities they offered him for many years in consulting the Records. He also desires to acknowledge the courtesy of the Editor, *Economic Journal*, London, in permitting him to utilize an article from the writer's pen which had appeared in that Journal in March, 1925. For the preparation of the Index and Glossary, the writer is indebted to Mr. H. C. Sinha, Lecturer, Calcutta University.

Ramna, Dacca, Jogis Chandra Sinha.
November, 1926.

ECONOMIC ANNALS OF BENGAL

CHAPTER I.

A RAPID ECONOMIC SURVEY OF BENGAL 1707-1757.

Aurangzib's death a landmark in Indian history.

The death of Aurangzib (March 4, 1707)[1] forms an important landmark in the political and economic history of India. The Mughal Empire did not last much beyond his son's reign. The provincial rulers declared themselves practically independent one after another, while the feeble successors of Aurangzib became mere puppets in the hands of their intriguing ministers.

Disruption of the Mughal Empire and rise of new powers.

The period from 1707 to 1757 witnessed on the one hand the gradual decline of the power of the Great Mughal, and on the other, the ascendancy of new powers, which were soon to fight for political supremacy over the whole of India. It was during this period that the hardy Marathas, in spite of their reverses at the hands of Aurangzib, reached the zenith of their power and seemed

[1] This date has been calculated according to the reformed Calendar.

for a time to throw all other 'country powers' into the shade. But during these fifty years, an adventurous band of foreign merchants gained a firm footing on the Indian soil and within the next fifty years they became the undisputed masters of this country.

Almost uninterrupted peace in Bengal.

The economic and political history of Bengal during the first half of the eighteenth century differs however in an important respect from that of the rest of India. Bengal enjoyed almost uninterrupted peace under her powerful Nawabs, while the rest of India was ravaged by war and invasions.

Strong rule of Murshid Quli.

Murshid Quli Khan[2] gave absolute peace to the province and saved it from the troubles which arose in other parts of Northern India on account of the frequent wars between the rivals to the Imperial throne. He restored internal order, vigorously suppressed robbers and administered impartial justice.

His revenue reforms.

He was the author of several financial reforms which increased the public revenue. In his revenue settlement of 1722, Murshid Quli created a new administrative division called the *chakla*, which was placed under the

2 Murshid Quli became the Dewan of Bengal in 1701. In 1704 he became also the deputy Nazim and in 1713 Farrukshiyar conferred on him the united offices of Nawab Nazim and Dewan.

control of an *amil* who was ultimately responsible for the collection of revenue of the entire *chakla*. This settlement was merely a revision of Shah Sujah's settlement of 1658 and it raised the land revenue on *khalsa i.e.*, revenue paying lands only by $11\frac{3}{4}$ lacs of rupees *i.e.*, an increase of $13\frac{1}{2}$% during a period of 64 years. Murshid Quli reduced also the amount of *jagir* lands and transferred $10\frac{1}{4}$ lacs of rupees from *jagir* to *khalsa*. His revenue roll stood at Rs. 1,42,88,186.[3] This amounted to an increase of about 9% over the total revenue of 1658. Naturally, this demand was exacted with some rigour. His hands fell heavily on zamindars in arrears. In many cases, they were dispossessed and their lands given to revenue farmers.

Objectionable features of the revenue settlement of 1722.

On the other hand, this small increase in the state demand does not at first seem to have caused much hardship to the tenants. But Murshid Quli's revenue settlement contained two objectionable features, which in later times caused much oppression on the ryots. Murshid Quli was the first Nazim to levy openly the *abwabs*, or

3 Ascoli—*Early Revenue History of Bengal*, pp. 25-26, and *Fifth Report* (Firminger's edition) Vol. II, pp. 120, 186, and 191. The above figures refer to the revenue of Bengal only. For the total revenue of Bengal, Bihar and Orissa in different years between 1594 and 1720, see Sarkar's *India of Aurangzib*, pp. li, liv, lviii.

illegal cesses. It is true that *abwabs* of various kinds had been levied on the ryots by zamindars and subordinate officers, before the time of Murshid Quli. But such impositions were never at least openly supported by the government. In fact "these imposts were again and again declared by the Muhammadan sovereigns to be illegal and forbidden within their realms but they soon appeared with some changes in their items." Murshid Quli's impositions,[4] though trifling in amount, established however a dangerous precedent and the increased impositions by his successors caused much hardship to the ryots. Murshid Quli was also the first to introduce the farming system on an extensive scale in Bengal.

Murshid Quli's encouragement of trade and the English Company's *farman*.

Murshid Quli was too keen a financier not to realise the advanttges he could derive from foreign commerce. He therefore "gave every encouragement to foreign merchants, especially to the Moghuls and the Arabians, from whom he only exacted the prescribed duties of 2½ per cent., and did not permit the Custom-house officers to take more than their regulated fees." But the Nawab looked upon the English with disfavour and resented their exemption from the payment of duties in return for the small

4 Rs. 258,857—*Fifth Report*, Vol. II, pp. 120 and 239.

annual sum of Rs. 3,000.[5] He made it clear to them that either they must pay duties like other foreign merchants or send him frequent and costly presents. To avoid such uncertain demands, the English Company sent an embassy to Delhi in 1715 for the confirmation of its privileges. It succeeded in 1717 in obtaining a new *farman* or charter from Farrukhsiyar. Murshid Quli agreed to observe the first article of the *farman*, which confirmed its right to trade in Bengal, free of customs, in return for an annual sum of three thousand rupees.

Dastaks to apply only to the Company's imports and exports.

Now the question arose whether the Company's *dastaks* or passports could be used in the internal trade of the province. The Nawab insisted that they should apply only to such goods as were either imported or intended to be exported by sea. He argued that if the English were allowed to use *dastaks* in inland trade that would not only ruin all other merchants but also cause

5 This privilege had been granted to the English by Prince Shuja in 1656 It cannot be defended as a perpetual grant. As Prof. Sarkar rightly observes, "Shuja was merely a provincial governor......... A fixed sum of Rs. 3,000 a year might have satisfied Shuja; it was his personal lookout to take the legal amount of duty or less......... There was no reason why later governors of Bengal should be content with such a small sum and not levy the legal rate of 2½ p.c. on the goods, especially when the volume of English imports into Bengal had multiplied several times since Shuja's days."—J. N. Sarkar—*History of Aurangzib*, Vol. V, pp. 321—322.

a great loss of public revenue. To avoid the Nawab's hostility, the Company thought it wise to accept his interpretation. The Company itself was not however, directly affected by this limitation of the use of the *dastak*, because it did not take any part in the inland trade of the province. But this limitation made its goods liable to be examined by the Nawab's officials to discover whether they had really been imported or were actually intended to be exported by sea. This power of search, as the Company complained, was sometimes used to extort bribes. But, as we shall soon see, the fault was not always on the side of the Nawab's officials.

Increase of the Company's trade and the growth of Calcutta.

The confirmation of the right to use *dastaks* proved however to be a valuable privilege which greatly facilitated the Company's trade and Calcutta soon became a great centre of commerce. There flocked the Hindu, Muhammadan, and Armenian merchants to carry on their business under the protection of the British flag. By 1756 the trade of Calcutta exceeded one million pounds sterling per annum and "some fifty vessels or more annually visited its port." With the progress of trade, the population of Calcutta rose from about 22,000 in 1706 to more than 100,000 towards the close of Aliverdi's rule.

But Hughly still remained the chief port

of Bengal. Captain Hamilton, in his *New Account of the East Indies*,

Hughly still the chief port of Bengal.

describes Hughly as a place of great trade because "all foreign goods are brought hither for import and all goods of the product of Bengal are brought hither for exportation." The Imperial customs house was at this place, so that both sea-borne and inland trade had to pass through it, to pay customs duty or to get free passes. The volume of trade which passed through Hughly may be realised from the fact "that in 1728 *Sair Baksbandar* *i.e.* export and import dues on foreign merchandise, yielded Rs. 2,21,975 at the rate of $2\frac{1}{2}$ per cent. on the value of the goods and with the tolls on 9 *gaunges* or subordinate stations, realised 242,014 *sicca* rupees."

The trade of the Company's servants increased also during this period. As the Company paid them low

Private trade of the Company's servants.

salaries,[6] they improved their fortunes by private trade. But as they were not allowed

[6] The salaries of the covenanted servants of the Company in Bengal in 1712 were as follows :—

President and Governor	...	Rs.	1,600	per annum
Senior Merchants	... ...	,,	320	do.
Junior Merchants	... ...	,,	240	do.
Factors	... ...	,,	120	do.
Writers	... ..	,,	40	do.

The real incomes were not so low, for the purchasing power of the rupee was then much higher. Fine rice at 1 maund per

to carry on any trade with Europe except in such articles as precious stones, they engaged in the coasting trade of India and of other Asiatic countries.[7] The Company's servants were part or sole owners of small ships of a hundred tons or so which traded from the Bay to Surat and Persia.

Company's occasional interference with its servants' trade.

But the Company sometimes interfered with this coasting trade by its own servants. The regular trade of the Company was with Europe. At the beginning of every year, the Company engaged ships of 300 or 400 tons burdens and sent them to India, laden with bullion (mainly silver), hardware, metals and woollen goods. The Company's ships generally arrived in Bengal in July or August and unloaded their goods into the Calcutta warehouses. They took instead the annual investment (*i.e.*, the purchase of goods for exportation to Europe) in piece-goods, silk and saltpetre, and sailed to England at the beginning of the next year. But on some occasions the Company's ships, coming from Europe, were detained a year or more in the Bay of Bengal and then they were employed in the coasting trade, which formed the

rupee and coarse rice at 1 maund 10 seers per rupee were regarded as famine prices in Calcutta in 1710.

7 The limits of private trade were from the Cape of Good Hope in the west to the Straits of Magellan in the east.

chief source of the fortunes of the Company's servants.

The Company's servants had however soon to face the competition of stronger rivals in their coasting trade. These rivals were the English free merchants[8] whom they had managed to drive out of Bengal at the beginning of the eighteenth century, "upon the pretext of avoiding political complications which might arise from the acts of irresponsible persons." In 1713, the Court of Directors allowed the free merchants to trade in Bengal and from this year their number increased in Calcutta.

English free merchants.

But the Company's servants had one great advantage over the free merchants, namely, the use of the Company's *dastaks* for their own private trade. It is doubtful whether such uses of the Company's passports were ever contemplated by Farrukh-siyar's *farman*, which does not refer at all to the trade of the Company's servants. The use of *dastaks* to cover their

Abuse of *dastaks*.

8 Long writes in the Introduction to his *Selections* "the free merchant was an eye-sore, as he interfered with the profits of the Company's servants in trade." The free merchants should not be confused with "interlopers," who took part in those branches of the Eastern trade (*e.g.*, the trade between England and India) in which the East India Company had a monopoly. Interlopers' trade was therefore illegal. But the free merchants did not encroach upon the monopolised trade of the Company. They came to the East for carrying on trade between India and the neighbouring countries.

export and import trade, though tacitly allowed by the country government, was however objectionable on two grounds. Firstly, it defrauded the state of its revenue and secondly, it gave the Company's servants an unfair advantage over all other merchants. The use of *dastaks* was liable to further abuses. As early as 1705, we come across instances of the Company's *dastaks* being sold to other merchants to enable them to carry on their trade free of duty. And such abuses increased with the progress of years. The *dadni* merchants who provided the Company's investments until the year 1753, were in the habit of bringing down their own private merchandise, with the Company's, under the cover of the same *dastak*. But being deprived of this means of avoiding the Nawab's duties in the above year, they fixed on another which had for a long time been practised by *banians*, that is, covering their trade by the Company's *dastaks*, obtained chiefly from the Company's junior servants. "Various were the terms of this illicit compact; sometimes the Company's servant was entitled to $\frac{1}{8}$th $\frac{1}{4}$th or $\frac{1}{2}$ of the profits of the trade so covered." At other times, the Company's *dastak* was sold at prices ranging from Rs. 25 to Rs. 200 each. Captain David Rannie in his paper on the *Causes of the loss of Calcutta*, dated August 1756, rightly observes, "the injustice to the Moors

consists in that, being by their courtesy permitted to live here as merchants, to protect and judge what natives were their servants, and to trade customs-free, we under that pretence protected all the Nabob's subjects that claimed our protection, though they were neither our servants, nor our merchants, and gave our *dustucks* or passes to numbers of natives to trade custom-free to the great prejudice of the Nabob's revenue, nay, more, we levied large duties upon goods brought to our districts from the very people that permitted us to trade custom-free." One of the reasons put forward by Siraj-ud Dowla for attacking the English in 1756 was "that the British had abused the privileges of trade granted them by their firman."

Profitable export trade of the Company, on account of few trade rivals.

Such abuse of *dastaks* gave Murshid Quli's officers a very good excuse for interfering with the Company's trade. But inspite of such interference, the Company's export trade was very profitable at this time. It is on record that goods bought in Calcutta in 1711 for £43,000 could be sold in France for more than £1,50,000.[9] The chief cause of this prosperous

[9] The enormous profit on the sale of Calcutta goods in France in 1711 was partly due to the War of the Spanish Succession (1702—1713), which had caused a scarcity of those commodities in France.

trade was that with the exception of the Dutch, the English had no other strong commercial rival. The Portuguese who had monopolised the greater part of the foreign trade of Bengal at the beginning of the 17th century, had hardly any trade at this time. The Danes never had any important share of the foreign trade in Bengal. Their poverty compelled them to abandon their factories along the Hughly early in Murshid Quli's administration. The French trade in Bengal also languished till 1731, when Dupleix was appointed *Intendant* of Chandernagore. Captain Hamilton wittily remarks that "a pretty little church to hear Mass in......is the chief business of the French in Bengal."

Introduction of pilot service and careful finance.

The English Company was also very far sighted in introducing a regular pilot service as early as 1668, which proved very useful in carrying its goods through the shifting sand-banks of the Hughly. It was also more careful about the financial side of its business than its rivals. The French Company, inspite of its brilliant military exploits, was almost insolvent from the very beginning. In fact, the ultimate victory of the English over their commercial rivals was to a considerable extent due to the superiority of their financial strength.

But one of the chief obstacles to the

progress of the English commerce in Bengal at this period was the currency difficulty[10] of the Company, which arose from the fact that coins struck at different Indian mints or at the same mint in different years, were not regarded as coins of the same value. They circulated at different rates and thus caused considerable difficulty in business transactions. At Madras, where the Company had its own mint, such variations in the value of the rupee did not cause much trouble. There, 89½ oz. of dollar silver was always convertible into a little more than 218 rupees and these Madras rupees were accepted without difficulty, not only in Southern India, but also in Bengal, so long as the Mughal Court was in the South. But with the transfer of the Mughal Court to Northern India after the death of Aurangzib, the native government in Bengal was no longer in need of Madras rupees for sending the annual revenue to the Imperial Court. It therefore refused to accept Madras rupees and their value fell in Bengal. Up to 1756, silver formed the chief import of the English Company not only to Bengal but also to other parts of India. But the fall in the value of the Madras rupee prevented the Company from securing as many

Company's Currency difficulty affected its trade.

10 Wilson—*Early Annals of the English in Bengal,* Vol. II, Part I, pp. liii—liv.

current rupees of Bengal with its imported silver as it formerly could. Thus, it began to lose, not only in its trade in imported silver but also in having less money to finance its exports from Bengal.

Company's attempt either to establish a mint or to secure the use of Nawab's mint.

The Company therefore desired to establish a mint at Fort William, but the Mughal Emperor refused to grant such a violation of his sovereign rights. The Company then asked and obtained from Farrukhsiyar the privilege of using the Nawab's mints in Bengal free of Customs-duty for three days in the week. This privilege proved however to be of little use because Murshid Quli Khan refused to recognise it. The Company's currency difficulties continued even after Murshid Quli Khan's rule. Thus in a letter dated 8th February 1753, Mr. Watts writes that the scheme of establishing a mint in Calcutta "would be immediately overset by Jugget Set, he being the sole purchaser of all the bullion that is imported in this province by which he is annually a very considerable gainer."

Rise of the banking house of Jagat Seth.

Jagat Seth was the title of the head of a great banking house in Bengal, which rose in importance during Murshid Quli's rule. Manik Chand, the founder of this house, established a banking agency in Bengal in Aurang-

zib's reign. Murshid Quli used to send the annual revenue to Delhi through the agency of Manik Chand whose brothers had *kuthis* in Agra and Delhi. Manik Chand died in 1722 and was succeeded by his nephew Fateh Chand, who, for the valuable services done to Farrukhsiyar before his accession to the Imperial throne, was rewarded with the title of Jagat Seth. Fateh Chand died in 1744 and was succeeded by his two grandsons, the eldest of whom, Mahatap Chand, received the title of Jagat Seth.

Prosperity of this house during Aliverdi's rule.

Under Mahatap Chand, this banking house reached the zenith of its prosperity. Nawab Aliverdi Khan highly respected Mahatap Chand and when in 1749 the English factory at Kasimbazar was surrounded by the Nawab's troops, owing to the dispute between the English and some Armenian merchants, the English propitiated the Nawab by paying him through the Seths 1,200,000 rupees. Banks under European management had not yet been started in this country and the English and other foreign Companies used to borrow money from the Seths. "Their riches were so great that no such bankers were ever seen in Hindustan or Deccan; nor were there any bankers or merchants that could stand a comparison with them, all over India. It is even certain, that all the bankers of their time in Bengal were

either their factors or some of their family. Their wealth may be guessed by this only:—In the first invasion of the Marhattas and when Moorshedabad was not yet surrounded by walls, Mirhabib with a party of their best horse, having found means to fall upon that city before Aliverdi could come up, carried from Jagat Seth's house two crores[11] of rupees in Arcot coin only and this prodigious sum did not affect the two brothers, more than if it had been two trusses of straw. They continued to give afterwards to the Government, as they had done before, bills of exchange called *dursunnies*[12] of one crore at a time."[13]

Changes in revenue system by Sujah Khan.

Murshid Quli died in 1725 and was succeeded by his son-in-law Sujah Khan. He restored the zamindars, who had been imprisoned by Murshid Quli to the management of their lands. This is probably the reason why his rule has been described "as one of peace and good government." But his revenue administration was in one respect more oppressive than that of his predecessor. He imposed new *abwabs* which led to an increase of about 18 per cent over the revenue demanded by Murshid Quli

11 This appears to have been an over estimate. Stewart pu the figure at three lacs of rupees.

12 A *dursunni* is a bill at sight.

13 *Seir Mutaqherin*, Cambray's Ed., Vol. II, pp. 457—58.

Sujah Khan's rule witnessed the rise and decline of the Ostend Company. It was also during his rule that the French trade in Bengal reached the zenith of its prosperity under the able management of Dupleix. "He (Dupleix) had not occupied the Intendantship (of Chandernagore) for four years, when, in place of the half dozen country boats, which, on his arrival were lying unemployed at the landing place, he had at sea 30 or 40 ships a number which increased before his departure to 72 engaged in conveying the merchandise of Bengal to Surat, to Jedda, to Mocha, to Bussora and to China. Nor did he neglect the inland trade. He established commercial relations with some of the principal cities of the interior, and even opened communications with Thibet."[14]

Prosperous French trade.

Sujah Khan died in 1739. But his son and successor Sarfaraz Khan, having alienated influential men by his debauchery, was killed by Aliverdi Khan, the Governor of Behar who became the Nawab of Bengal in 1740.

Usurpation of Aliverdi.

But before Aliverdi was fairly estab-

[14] *The Rise of the French Power in India, Calcutta Review*, 1866, pp. 132—33.

Maratha invasions and their economic effects.

lished on the Nawab's throne, the Marathas began to invade Bengal almost every year from 1742 to 1750. It is needless to say that these incursions caused considerable economic loss to the greater part of Behar and Orissa and to the districts of Midnapore and Burdwan in Bengal. Long in his *Selections*, quotes an extract from a despatch to the Court of Directors, dated January 2, 1752 which attributed the high price of raw silk for some years past to the depredations of the Marathas which interfered to a great extent with the Company's trade. But the economic loss to Bengal from the Maratha raids has often been greatly exaggerated. The Marathas caused destruction generally along the lines of their march, leaving the remaining part of the country more or less unaffected. Even in the affected areas the Marathas were obliged to retire at the approach of the rainy season and the inhabitants were again safe till January. They immediately began to work and managed to raise and sell their crops before the next year's impending invasion. That the country was not much impoverished by these invasions is also proved by the fact that the zamindars paid to Aliverdi the enormous sum of $1\frac{1}{2}$ crores of rupees, besides their annual revenues, to enable him to meet the increased military

expenditure.[15] The only permanent economic loss to Bengal from these invasions was the cession of Orissa and an annual tribute of 12 lacs of rupees, with which Aliverdi bought peace with the Marathas in 1756.

Unbroken peace in Bengal from 1751 to 1756.

From this time until his death in 1756, Aliverdi reigned in peace. Inspite of his impositions of heavy *abwabs*, this latter period of Aliverdi's rule was, on the whole, one of unbroken economic prosperity to the people of Bengal. Unlike his two immediate predecessors, Aliverdi proved an able and wise ruler who maintained order and administered impartial justice.

Mug and Portuguese pirates.

But Aliverdi could not entirely suppress robbers, especially the Mug and the Portuguese pirates. In the early records we come across many instances of their depredations. Thus a letter from the chief of the English factory at Dacca, quoted in the despatch to Court of Directors, dated, January 27, 1748, refers to "the Mugs and robbers who have done great mischief about Dacca." Another old record (an extract of a letter from Jugdea near Dacca, dated, November 16, and given in the "Consulations" of

15 Becher's letter of May 24, 1769 to Governor Verelst, quoted by Firminger in his Introduction to the *Fifth Report*, p. clxxvii.

December 4, 1752) describes the impression made by the Mugs in the following terms:— "That as the time of the Mugs draws nigh, they request us to order the Pinnace to be with them by the end of the next month for the safe conveyance of their cloth and a chest of good powder with a lanthorn or two." The Mugs in their annual raids, infested the Sunderbun Channels, and sometimes extended their piracies and plunderings, as far as Budge-budge. The Portuguese were at times their partners in their forays. Such was the dread of the Mugs that in order to prevent their vessels from coming up, a chain was put by the English authorities about the year 1770 at Calcutta across the Hughly at Mukwah Fort, where the Superintendent of the Botanical Garden now resides.

Slave trade and slavery in Bengal.

The Mugs and the Portuguese were also associated with the detestable slave trade, which caused desolation to many fine places in the Sunderbans. Thus we find in the *East India Chronicle* that in February, 1717 "the Mugs carried off from the most southern parts of Bengal, 1800 men, women and children. In ten days they arrived at Arracan and were conducted before the Sovereign, who chose the handi-craftsmen, about $\frac{1}{4}$th of the number, as his slaves. The remainder were returned to the captors...... and sold according to their strength from 20

to rupees 70 each." Such unhappy creatures, forcibly taken away from their homes, were sold in various places not excepting Calcutta, where slavery was very prevalent throughout the eighteenth century. But inspite of these depredations of robbers and pirates, commerce flourished during the latter part of Aliverdi's reign. "The Europeans were little molested during his government and were permitted to carry on their commerce, according to the tenor of the *firmans.*"

Decline of French commerce and re-establishment of Danish settlement.

The French trade in Bengal had declined after the transfer of Dupleix to Pondichery in 1741, partly on account of the want of funds and partly owing to the lack of energy of Dupleix's successors.[16] In a letter of the Dutch Council at Hughly to their Supreme Council at Batavia, November 24, 1756, it is said that the French "have done no business these last few years." This declining French trade received also a fatal blow during the Seven Years' War (1756—1763).

16 But the character of the French trade remained much the same as in previous years, cotton goods forming the most important element of the export. "In the bills of lading of five vessels that arrived in France from Bengal in 1742, we find, among a great variety of cotton goods, the following enumerated, viz., 14,340 pieces of *casses*, 12,680 of *mallemoles* (*mulmuls*), 7,199 of *tanjebs*, 6,080 of *terindams*, 5,280 of *doreas*, 243 of *nensogues* (*nyansooks*), 1,252 pieces of different embroideries of Dacca and 110 jamdanis."—*A Descriptive and Historical Account of the Cotton Manufacture of Dacca in Bengal* by A Former Resident of Dacca, p. 130.

The Danes who had abandoned their factories along the Hughly in 1714, re-established themselves at Serampur in 1755. Their trade, however, never attained any great importance except during the War of American Independence, when the English sent to England their goods in Danish vessels to escape their enemies' battleships.

Dutch trade during the first half of the 18th century.

The Dutch were in fact the chief commercial rivals of the English in their trade with Bengal till the supremacy secured by the English after the battle of Plassey. The Dutch trade in Bengal seems to have often been larger than that of the English during the first half of the eighteenth century. The Dutch had their settlements in all the important manufacturing centres of Bengal where they competed keenly with the English. Their trade was also in the same lines. Like the English, they imported from Europe a considerable quantity of precious metals, especially silver, and woollen goods. But their trade was not entirely financed from Europe. They imported copper from Japan; tin and spelter from the Malay Peninsula; and pepper, cloves, mace and nutmegs from the islands of the Dutch East Indies. They employed the proceeds of these imports for financing their exports from Bengal to other parts of India as well as in purchasing commodities for their

Eastern and European markets. The exports to Holland consisted mainly of cotton cloths, silk (raw and manufactured) and saltpetre.

English imports during the same period.

The chief articles exported and imported by the English, were to a great extent similar to those which figured prominently in the Dutch trade. Bullion (gold and silver) formed, as usual, the largest part of the English Company's imports to Bengal as well as to other parts of India. During the period 1708-1756, bullion formed 74 p.c., of their total imports to Bengal. The rest of their imports consisted of broadcloth and other woollen goods, lead, iron, tin, copper, quick-silver and various minor articles. The import trade, specially in woollen goods, was generally unprofitable. The Company's zeal in promoting the sale of woollen goods sometimes caused a glut of those articles in Bengal.[17] We come across instances of the Company's attempt to dispose of these unsalable goods to native merchants, partly as payments for the commodities which the Company wanted to buy from them. The Com-

17 Thus in a despatch to the Court of Directors dated December 8, 1755, it is written, "When we put up the woollen goods at 15 p.c. on the invoice price, we found no bidders for the ordinary red and popenjay broad cloth which we afterwards lowered pursuant to your directions of this season and have disposed of them at a very small advance on the invoice price." In fact the price of woollen goods was so high that any extensive sale could hardly be expected.

pany's trade in metals was generally more profitable but these imports were subjected to keen competition of similar articles, imported by the Dutch. For instance, English copper and tin had always to face the competition of Japanese copper and Malayan tin, imported by the Dutch.

English exports in the 17th century.

The profits in their export trade made "sufficient amends" for the low profit or positive loss in the import trade of the English. Their chief exports from Bengal were cotton and silk piece goods, raw silk and saltpetre. These were their main exports as early as 1651 when the first English factory in Bengal was started at Hughly. The English first exported the famous Dacca

The following account of the sale of different kinds of woollen goods in December, 1753, is given in the Public Progress Volume 1754 (I. R. D.) :—

	Yds.	Number	Rs.	A.	P.
Broad cloth fine by retail	53	4	371	14	6
,, ordinary ,, ,, ...	18	8	41	10	0
White flannel ,, ,, ...	12	0	13	8	0
Stuffs ,, ,, ...	51	12	127	4	0
Valvets ,, ,, ...	59	7	618	4	6
Broad perpets fine ,, ...	2	3	5	0	0
,, ,, ordinary ,, ...	2	4	2	13	0
Brocade's 3 yards ,, ...	...	...	96	12	0
Broad cloth ordinary in pieces (illegible)	...	...	138	0	0
,, ,, fine in pieces	16	0	1,025	3	6
Current Rupees			2,440	5	6

We have a rough idea of the purchasing power of the rupee at this time from the fact that the wholesale price of ordinary rice in Calcutta in 1756 was 1 md. 10 seers per Arcot rupee. (*Consultations,* May 18, 1757).

muslins about the year 1666 and by the year 1675 the fashion of wearing muslins, the costlier fabrics of Dacca, and the cheaper stuffs[18] from other parts of the country, became pretty general in England. After the Revolution of 1688, "a passion for coloured East Indian calicoes" spread through all classes of that country. The Company's trade in Bengal silk manufactures also increased at this time on account of the establishment of English factories at Kasimbazar and Malda. This profitable trade in cotton and silk piece-goods began to expand rapidly all through the last quarter of the seventeenth century[19] and it naturally excited the jealousy of the British silk and woollen manufactures.

Acts of 1700 and 1720 prohibiting Bengal piecegoods.

Accordingly in 1700, it was enacted by the British Parliament "that from and after the 29th day of September, 1701, all wrought silks Bengals, and stuffs mixed with silk or herba, of the

18 Referring to the export of Dacca muslins to England at this period, Mr. Moreland writes to the author, "in point of fact, the cheaper Golconda muslins (trade name 'betilles', 'Oringalls', etc.) were at least equally important. Thus the E. I. Co.'s indent for 1679 specified 24,000 pieces betilles, against 10,000 cassas, and 8,000 malmals, the two latter being the Dacca trade names. In 1680 they asked for 37,000 betilles against 23,000 Daccas, and so on." See also Mr. Moreland's article on *Indian Exports of Cotton Goods in the Seventeenth Century* in the Indian Journal of Economics, January, 1925, for the comparative prices of Deccan and Bengal cotton goods. Dacca goods in those days cost at least twice as much as Golconda *betilles*.

19 Except during the years 1686–89 when the English in Bengal were at war with the Mughal government.

manufacture of Persia, China, or the East Indies; and all calicoes, painted, dyed, printed, or stained there, which are or shall be imported into this kingdom, shall not be worn or otherwise used in Great Britain; and all goods imported after that day, shall be warehoused, and exported again." Muslins[20] proper and white calicoes which did not come under the operation of the above Act were subjected at this time to an import duty of 15 per cent., *ad valorem*. One of the results of the Act of 1700 was to increase the import of white calicoes from India, which began to be extensively printed in England. Accordingly another Act was passed in 1720, prohibiting the use or wear of printed calicoes, whether printed in England or elsewhere.

Effect of the two Acts.

These two Acts therefore restricted substantially the export of our cotton and silk goods to England. Silk manufactures, printed and dyed calicoes[21] and certain classes of muslins were shut

20 But certain classes of muslins proper appear to have been prohibited from use in England by the Act of 1700. Taylor writes, "Among the goods thus prohibited we find enumerated the following Bengal muslins, viz., *mulmuls*, *abrowake* (*abrawans*), *junays* (*jhunas*), *rehing* (*rang*), *terindam* (*turundams*), *tanjebs* (*tunzebs*), *jamdamnees* (*jamdanees*), *dooreas* and *cossaes* (*khasa*)." —*A Descriptive and Historical Account of the Cotton Manufacture of Dacca in Bengal*, p. 127. The contention that the use of only printed and dyed calicoes was prohibited in England is thus untenable.

21 Apart from the general statement of Lecky that "a passion for coloured East Indian calicoes......spread *through all classes of*

altogether from the English market. By prohibiting the use of printed calicoes, even when they had been printed in England, the import of white calicoes was also restricted. Only a small quantity of white calicoes and certain classes of muslins continued to be imported to England for home consumption, but the quantity could not have been large as the duty of 15 per cent. had "greatly reduced the profits of the Company." But England's re-export trade in these goods was not affected by the Acts. Manufactured silk, calicoes of various kinds both white and coloured, and muslins were regularly imported to England throughout the eighteenth century for re-exportation to different countries. It has been

the community," (italics are ours) the following reasons may be advanced in support of the view that printed and dyed calicoes formed the most important class of the imported cotton goods to England :

(1) The consumption must have been great; otherwise the British Parliament would not have passed special statutes prohibiting the use of such articles.

(2) Thicker stuffs would naturally have a wider sale in England than finer goods, not only on account of the comparative cheapness of the former but also on account of their greater suitability in a colder climate. As a matter of fact, the export of very fine muslins to England was always inconsiderable. As regards coarser muslins, there is little to distinguish them from finer calicoes.

(3) The art of bleaching being little understood in Great Britain till the discovery of chlorine in 1774, and the difficulty of washing in a cold climate being greater, printed and dyed calicoes must naturally have been preferred to white stuffs.

suggested that the English market was 'relatively small' and its loss must have been more than compensated for by "a very considerable increase in the total export of India's textile goods" to other countries by the energetic English traders. But the English market though small was not insignificant and it was a growing one. Nor is there any evidence of the English traders having opened any new market for these goods.[22] It is true, however, that it was only one of our many markets, and its loss could not and did not in fact immediately affect our industries to any great extent. The Acts of 1700 and 1720 *alone* did not bring about the decline of the Indian handloom industry. But it cannot be denied that the immediate impulse[23] for the adoption of machinery in the English cotton industry, which later on gave such a heavy blow to the Indian industry, came from the restriction of the Indian imports. The English public had grown accustomed to the use of the cotton goods of India towards the close of the seventeenth century, and when the import of these was restricted, the English cotton manu-

22 Moreland writes in his *Akbar to Aurangzib*, p. 72, "A recent writer has suggested that more cotton goods must have been carried to Asiatic markets, but I have not been able to find positive evidence of such an increase during our period, and general considerations appear to me to indicate the necessity for caution with regard to this question."

23 Knowles—*The Industrial and Commercial Revolutions in Great Britain during the Nineteenth Century*, pp. 43—45.

facturers found it profitable to extend their scale of production to satisfy the home demand. Thus these Acts though originally meant for the protection of woollen and silk manufactures of England did in point of fact protect the newly born British cotton industry in later years.[24]

Company's export of raw silk.

The English commercial policy was however quite liberal towards raw silk, saltpetre and other exports from Bengal, which did not compete with English manufactures, but on the contrary, were often the raw materials of English industries. The Company also did its best to promote the export of these articles. As early as 1673, it sent out dyers to Bengal to improve the colour of Bengal raw silk. But its trade in this article was not considerable before the middle of the eighteenth century. From 1751, the English Company's export of Bengal raw silk began to increase and during the period 1751 to 1765 it rose, on an average, to about 80,340 (small) lbs.[25]

Saltpetre was an important English export

24 These Acts remained in force until 1825. The prohibition regarding the wearing of certain classes of cotton goods was removed in England in 1774, if the goods were made in that country.

25 There were two different measures for raw silk, small lb. of 16 oz. and great lb. of 24 oz.

from Bengal in the first half of the eighteenth century. Then, as now, saltpetre was abundant in Bihar and Patna where it was brought down from Singhia in North Bihar, was the chief distributing centre of this industry. Macpherson refers to the chronic dearth of saltpetre in England in the seventeenth century. "Repeated attempts have been made (in England) to obtain saltpetre by digging up the floors of houses, stables, and pigeon holes; and the people were obliged to admit saltpetre men to destroy their floors whenever they thought proper. Other projects were set on foot; but they were all equally unavailing." Naturally, the authorities of the Company in England "were never weary of asking for saltpetre from Patna where it could be had so good and cheap that the contract for it was discontinued on the west coast in 1668 and at Masulipatam in 1670." The English used to send down every year the saltpetre from Patna, at first to Hughly and later on to Calcutta, in a small fleet of boats. In many instances, the passage of these saltpetre boats on their way to Hughly or to Calcutta, was interrupted by the Nawab's officials or by private rajahs whose territories lay on the bank of the Ganges to extort bribes from the English. Thus in 1679, thirty-one boats, containing 29,891 maunds of saltpetre for the English Company, were in readiness to

Keen demand for saltpetre but the difficulty in sending it to the ports.

proceed to Hughi but were held up by the Nawab's officials to secure exorbitant bribes. Wilson, in his *Early Annals of the English in Bengal* quotes many instances of such stoppage of the Company's saltpetre boats on their way down the Ganges by the Indian officials, at the beginning of the eighteenth century. In many cases, there were free fights between these officials and the escort of soldiers who accompanied the Company's saltpetre boats. But inspite of such interruptions, saltpetre formed a chief export as well as "the most profitable export" of the Company at that time. On December 8, 1755, we find the English authorities in Bengal writing to the Court of Directors, "our contract for saltpetre ......being insufficient to comply with your directions......we increased the quantity. Omichand agreed to deliver us by the end of January from 30,000 maunds to 40,000 at the rate of Rs. 5-12 as (Arcot) per factory maund."

Trade in opium.

The opium procurable at Patna was a minor item of the exports. The use of this drug in England and in most parts of the Continent was chiefly confined to medicinal purposes. Its consumption in Europe was therefore too limited to allow of its becoming an article of any commercial importance. The Company first ordered Bengal opium to be sent to England in 1682. But up to 1786 the importation was very small. The chief markets for

Bengal opium, during the first half of the eighteenth century, as well as in subsequent periods, were Java, Malayan Archipelago and China.

Trade with different parts of Asia.

The trade of Bengal, both inland and foreign, exclusive of the commerce of the European Companies, was also very flourishing during the first half of the eighteenth century. The Hindu, Armenian and Muhammadan merchants[26] carried

[26] The account of the cloth trade of Dacca in 1753, quoted by Taylor in his *Descriptive and Historical Account*, pp. 130—131, gives a good idea of the merchants of different nationalities taking part in Bengal commerce during Aliverdi's rule. According to this account, the total estimated value of the cloth trade of Dacca in 1753 was Arcot rupees 2,850,000. Out of this, goods worth Rs. 100,000, Rs. 300,000, and Rs. 150,000 were meant for the Emperor of Delhi, the Nawab of Murshidabad and Jagat Seth respectively. The rest was taken by the merchants of different nationalities in the following proportions:

	Arcot Rupees
"(1) For Tooranees (merchants from Turan—country beyond the Oxus—) from Persia, Cloths of various kinds for the markets of the Upper Provinces	100,000
(2) For Pathans Ditto. for the markets of the Upper Provinces	150,000
(3) For Armenians Ditto. for the Bassora, Mocha and Jidda markets	500,000
(4) For Moguls Ditto. partly for home consumption, and partly for the Bassora, Mocha and Jidda markets	400,000
(5) For Hindoos Ditto. for home consumption ...	200,000

on a brisk trade with other parts of India and with Turkey, Arabia and Persia.[27] The despotism of the Nawabs of Bengal never degenerated into absolute oppression. Commerce and manufacture were encouraged. Up to the battle of Plassey, the balance of trade with all countries was in favour of Bengal and "it was the sink where gold and silver disappeared without the least prospect of return." At this period the Indian traders carried on a lucrative trade also with Assam and Tibet. Since the beginning of the eighteenth century, forty vessels from five to six hundred tons burden each, were annually sent from Bengal to Assam laden with salt, which yielded 200 per cent. profit. They received in exchange ivory, lac, a large quantity of *muga* silk and a small amount of gold and silver. Tibet took a quantity of Bengal cotton and silk fabrics, spices, broad-cloth, hardware and coral, and paid in exchange, gold, musk,

(6) For the English Company		
Ditto.	for exportation to Europe	... 350,000
(7) For English traders		
Ditto.	for foreign markets ...	... 200,000
(8) For the French Company		
Ditto.	for exportation to Europe	... 250,000
(9) For French traders		
Ditto.	for foreign markets ...	... 50,000
(10) For the Dutch Company		
Ditto.	for exportation to Europe	... 100,000

[27] After the assassination of Nadir Shah in 1747, the anarchy prevailing in Persia considerably interrupted her trade with Bengal.

woollen cloths and tails of yak cows.[28] These goods were first sent to Patna from where they were distributed over Bengal. But the ascendancy of the Gurkha power in Nepal from 1767-68 considerably interrupted the main channel of commercial intercourse between Bengal and Tibet.

Cotton and silk.

Bengal cotton goods "were dispersed to the West and North, inland, as far as Guzerat, Lahore and even Ispahan." They also went by sea to the markets of Basrah, Mocha and Jedda. Bombay and Surat sent their raw cotton to feed the Bengal looms. But a large quantity of raw cotton was also grown in Bengal at this period and the famous Dacca muslins were made entirely out of the produce[29] of the

28 So long ago as 1583, Ralph Fitch heard of the flourishing trade between Bengal and Tibet, and of the export of musk, *cambals* (blankets) silk, agates and cow tails to Bengal from the latter country. *Brief Account of the Kingdom of Tibet* by Horace Della Penna (1730) throws light on the foreign trade of Tibet during the first half of the eighteenth century. The exports of Tibet, according to this writer, were iron, copper, sulphur, cinnabar, cobalt, turquoise, stones, borax, rock salt, mountain crystals, gold, silver, woollen cloth and yarn, woollen blankets and musk. With regard to imports, he states that "from Nekpal (*i.e.*, Nepal) come cotton cloths, wrought brass and copper. From Mogol (*i.e.*, Mughal India) come white and figured cloths, silk and embroidered stuffs, brocades, scarlet, corals and amber, (these last three articles from Europe) small diamonds and other things."

29 The cotton wool out of which the Dacca muslin was manufactured and which was perhaps the finest variety of the Eastern cotton, grew well on a small tract of land along the banks of the Megna. Though this cotton was admirably suited for the production of the most delicate hand-spun yarn it had the disadvantage

Dacca district. Kasimbazar which is now the chief centre of the silk industry in Bengal, was famous for its large production of raw silk as early as the beginning of the seventeenth century. Bernier who visited this place in January 1666, says that "the Dutch have sometimes seven or eight hundred natives employed in their silk factory at Kassem-Bazar, where in like manner, the English and other merchants employ a proportionate number." According to Tavernier,[30] the annual output of raw silk at Kasimbazar in the middle of the seventeenth century was about $2\frac{1}{2}$ million lbs. (22,000 bales, each bale weighing 100 livres) out of which $\frac{3}{4}$ million lbs. was sent to Gujrat and other parts of India, but a portion of it was taken to Central Asia by the merchants of Tartary. The Dutch also exported every year about $\frac{3}{4}$ million lbs. of Kasimbazar raw silk either to Japan or to Holland and the remaining 1 million lbs. was worked up in Bengal into silk fabrics. Though this 'country-wound' Bengal raw silk was full of knots, it was so cheap that the trade in this commodity continued unabated

of being short-stapled. For further details, reference may be made to the author's article on the *Dacca Muslin Industry*, Modern Review (Calcutta) April, 1925.

[30] Moreland's *India at the Death of Akbar*, p. 173 and Travernier's *Travels in India* (Ball's Ed.) Vol. II, pp. 2-3. Travernier visited Kasimbazar in February, 1666. See also *Diaries* of Streynsham Master (1675-80) who describes the country round Kasimbazar as full of mulberry trees.

during the first half of the eighteenth century. Some idea of the indigenous trade in raw silk during this period may be formed from the fact that so late as Aliverdi Khan's time, nearly seventy lacs rupees worth of raw silk was entered in the custom-office books at Murshidabad, exclusive of the European "investments."

Sugar.

Down to the year 1756, a considerable trade in Bengal sugar was carried on with Madras, the Malabar coast, Bombay, Surat, Sind, Muscat, the Persian Gulf, Mocha and Jedda. Bengal seems to have been the chief centre of this industry with a large export trade in sugar even in the middle of the seventeenth century.[31] During "the period immediately preceding the capture of Calcutta, in 1756, the annual exportation was about 50,000 maunds, which yielded a profit of about 50 per cent. and the returns for which were generally in specie." But the general decline of trade and industry in Bengal after 1757 and the competition of Java sugar[32] in the markets of Western India caused a decline of this profitable trade.

31 Travernier, Vol. II, p. 23.

32 A letter to the Court of Directors, dated February 27, 1758 refers to "the great quantities of sugar made by the Dutch at Batavia and carried from thence to Surat and the Gulph of Persia." See also Stavorinus—*Voyage to the East Indies*, Vol. I, p. 232 and Vol. III, p. 327.

Jute.

Jute was produced in Bengal at this time but in the absence of any large export trade its production was mainly limited to what was required for local consumption. Handwoven jute was a subsidiary industry of the province in the first half of the eighteenth century. The earliest reference to this industry is in the *Ain-i-Akbari* which alludes to the production of sack-cloth (jute) in Ghoraghat in North Bengal. By the middle of the century there developed a fair export trade in "gunnies." In the early records of the East India Company there are several references to this trade. Thus in a letter dated August 12, 1753, the President and Council at Bombay enclosed an indent for gunnies. We come across a similar indent for Madras in another record of July 21, 1759. In the Public Progress volume of 1755, there is a reference to a ship to be despatched "to the west coast with orders to proceed directly to Fort Marlbro' with 1,200 bags of fine rice and 2,000 gunny bags." This export trade in hand-made gunny cloths and bags continued to develop right up to the middle of the nineteenth century. In 1850-51, the number of gunny bags and cloth exported from Calcutta was 9,035,713 which were valued at Rs. 2,159,782.[33] The rise of jute mills has completely killed this handloom industry.

33 Wallace—*Romance of Jute*, p. 10.

Prosperous trade down to 1756 due to flourishing industries.

At the time of the capture of Calcutta by Siraj-ud-Dowla in 1756 "the coast of Cormondel and Malabar, the Gulph of Persia and the Red Sea, nay even Manilla, China and the coast of Affrica were obliged to Bengal for taking off their cotton, pepper, drugs, fruits, *chank*, cowrees, tin, toothenague, etc., as on the other hand they were supplied from Bengal with what they could not well be without, such as raw silk and its various manufactures, ophium, vast quantities of cotton cloth, rice, ginger, turmerick, long pepper, etc., and all sorts of gruff goods."[34] This prosperous trade was mainly due to the flourishing agricultural and manufacturing industries during the first half of the eighteenth century.

Agriculture.

The foregoing survey is mainly industrial and commercial. Agriculture, the other most important element in the economic life of the people, did not undergo any change either in volume or in improved methods during the period. Nor was there any great change in the land system, altering the condition of the ryot. In spite of occasional and local scarcities and floods, Bengal was practically free from great natural calamities like the famine of 1770. Except as indicated above, trade in raw agricultural goods was limited. The produce was

34 Hill—*Bengal in 1756-57*, Vol. III, p. 390

substantially consumed within the country. Bulky foodstuffs like rice, pulse and oilseeds could not be profitably exported to remote lands, as the long sea voyages were costly and deteriorated their quality. The industrial use of rice or oilseeds had not yet commenced in Europe, which was then, generally speaking, less industrially developed than Bengal. There were no extensive exports like indigo and raw jute in later days, to influence the economic life of the agriculturist. Agriculture in fact did not then loom so large in the view of rural Bengal as it does now. The background of our account of this period is therefore necessarily trade and industry.

Political Revolution of 1757.

The political revolution in Bengal in 1757 brought in its train factors which affected materially her agriculture as well as her trade and industries. With the battle of Plassey began one of the darkest periods in the economic annals of Bengal—the period in which the English were in power without responsibility.

CHAPTER II.

THE ENGLISH IN POWER WITHOUT RESPONSIBILITY

1757 –1772.

Political and economic effects of the English victory at Plassey.

The English victory at Plassey forms a turning point in the political and economic history of Bengal. As Vansittart observes, the English Company which had hitherto been a commercial body, became, as a result of this victory, a military and political body. Though Mir Jafar, the new Nawab at Mursidabad, seemed to exercise much the same power as the previous rulers of the country, yet the events of June 23, 1757 had really transferred the *de facto* sovereignty over Bengal to the English East India Company. The economic effects of the battle of Plassey were also far-reaching in their character, though at first sight they appeared to be insignificant.

No fresh trade privilege to the Company.

In the treaty between the English and Mir Jafar, the latter had agreed merely to confirm the grants and privileges allowed to the English by Siraj-ud-Dowla in his treaty of February 9, 1757. The English victory did not therefore secure any new commercial privilege for the

Company. Vansittart writes, "with respect to trade, no new privileges were asked of Meer Jaffir, none indeed were wanted by the Company, who were contented with the terms granted them in 1716, and only wished to be relieved from the impositions to which they had been exposed from the arbitrary power of the Nawab."

Drain from Nawab's treasury.

But Mir Jafar had promised in the Treaty to pay large sums of money as "compensation" to the Company and to the English, Indian and Armenian inhabitants of Calcutta for their losses at the time of Sirajud-Dowla's capture of the town, which amounted to £2,150,000 in 1757. In addition to the restitution money, Mir Jafar made large "presents" to the Company's servants. The Select Committee of 1772-3 estimated the total amount of these "presents" at £1,238,575, out of which Clive alone received £234,000. It appears that during the period 1757 to 1765 this business of making and unmaking Nawabs in Bengal, brought to the Company and its servants no less a sum than £5,266,166[1] (exclusive of

[1] *The Third Report of the Select Committee of the House of Commons on the Nature, State and Condition of E. I. Co.* (1773) pp. 311-12. According to this report, the sums paid as presents and compensations amounted respectively to £2,169,665 and £3,770,833 *i.e.*, to a total of £5,940,498, within eight years of the defeat of Siraj-ud-Dowla. From this, the restitution money of £583,333, paid to the Company by Shuja-ud-Dowla and the presents of £32,666 to General Carnac in 1765 from Bulwant Sing

Clive's *Jagir.*) A substantial part of this wealth found its way to England in some form or other.

Drain of wealth from Bengal: was there any drain of bullion to England?

Far more serious was the continued drain of wealth to England for which Bengal received "no equivalent returns."[2] There is a common belief that the outflow of wealth from this country which began after the battle of Plassey, went to England chiefly in the form of bullion. Thus Digby refers to the drain of Indian treasure varying from five hundred to one thousand million pounds to England between Plassey and Waterloo.[3] The only available contemporary records[4] which suggest that

and the King and of £58,333 to Clive in 1766 from the Begum have been deducted.

2 Steuart—*The Principles of Money Applied to the Present State of the Coin of Bengal,* 1772, pp. 57-62.

3 Digby—*Prosperous British India,* p. 33. See also Hamilton—*Trade Relations,* pp. 132-133, for similar quotations from other writers. *Seir Mutaqherin,* Vol. III, sec. 12, p. 32 refers to "the vast exportation of coin which is carried away every year to the country of England."

4 The Mint Master in Calcutta while proposing the reduction of seigniorage on silver, observed in his letter dated April 12, 1777, that on account of the high charges on coinage "the proprietors of silver dispose of it, I believe generally by selling them to persons who have remittances to make to Europe." (P.P. May, 1777). In the Report of the *Committee* for *Enquiring into the Causes of the Scarcity of Silver Coin* 1787, later on referred to as the Currency Committee of 1787 (O.C. 28, December 6, 1787) there is a reference to the export of bullion for transferring individual fortunes to England, though it does not indicate whether such export was considerable. Moreover the Report refers to a period after 1780, that is after the practice of selling bills on foreign companies had been prohibited by the Act of 1781.

there was a substantial export of bullion to England, are the minutes of Francis, Hastings and Shore. In his minute on the trade to Suez (O.C. 1, Nov. 4, 1776) Francis writes, "It is well known that in consequence of the advanced price and reduced quality of Bengal goods, the Captains and Officers do not find it advantageous to make their returns by investments on such goods .... the alternative left is *to carry home specie* (italics are ours). A calculation on which I can depend, assures me that the quantity of specie, extracted on this account, does not amount to less than 12 lacks of rupees per annum and I believe this will be found a very moderate estimate." In proposing measures for stopping the export of gold and silver in 1780, Hastings also suggests in O. C. 61, November 23 of that year, that about forty lacs of rupees worth of bullion was probably sent 'home' every year, this forming 40 per cent. of the total export of bullion per annum from Bengal. But he admits that this calculation was "not founded on authentic documents nor reducible to certainty." Sir John Shore also writes in his Minute of June 18, 1789: "Silver bullion is also remitted by individuals to Europe; the amount cannot be calculated, but must since the Company's accession to the dewany have been very considerable."[5]

[5] *Fifth Report*—Vol. II, p. 33.

This view has been ably criticised by Professor Hamilton.[6] According to him, the bulk of bullion exported from Bengal went not to England but to China and to the other provinces of India. The drain to England was mainly in the form of goods. This contention appears to be correct. There is no mention of the export of bullion to England in the Reports of the Select Committees of 1772-73 and 1782-83. The latter Committee held the definite opinion that the drain to England was mainly in goods and suggested a strong argument against the supposed export of silver to that country. "To send silver into Europe," observed the Committee, "would be to send it from the best to the worst market."[7] Any large export of gold which was officially overvalued in Bengal since the adoption of bimetallism in 1766 was also unlikely. Bolts, Verelst, Sir James Steuart, Milburn and MacGregor are all silent upon this matter.

Form of the Drain.

It appears however that the *amount* and not the form of the drain is material. Though the transfer of wealth to England was mainly in commodities, it did not bring, for causes explained later on in this chapter, even any temporary benefit to the

Its amount more important.

6 Hamilton—*Trade Relations*, pp. 132-148.

7 *Ninth Report of the Select Committee 1783*, p. 15. Burke was the author of this Report.

industries of Bengal. The immediate and ultimate effect of the export of commodities was therefore practically the same as that of bullion. The real problem therefore is to ascertain as far as possible the amount of the drain. This necessitates however a brief discussion of its different items.

How Englishmen sent home their fortunes.

By far the largest part of the drain was due to the remittance of private fortunes to England. Both Hastings and Shore ascribed the export of bullion to that country to this factor. But the Company's servants and the English free merchants had a more profitable means of remittance, viz., by purchasing bills on any foreign or on the English Company. They could also send diamonds to Europe for this purpose.[8] This latter mode of remittance was of long standing and continued even after 1780. In an Order of the Governor and Council, dated October 4, 1786, we find that one Mr. Lyon Prager had been permitted "to proceed to Benares and reside there for the

[8] Clive sought to refute one of the charges brought against him in 1772, *viz.*, monopoly of diamonds, in the following words :—"At that period there were only two ways by which a servant of the Company could, with propriety, remit his fortune to England; by bills on the Company or by diamonds......... These diamonds were not sent home clandestinely. I caused them to be registered; I paid the duties upon them; and these remittances, upon the whole, turned out 3 p. c. worse than bills of exchange upon the Company."—Malcolm's *Life of Lord Clive*, Vol. III., pp. 280-281.

purpose of trading in pearl, diamonds ... and other precious stones in order to afford to individuals means of remitting their property to Europe." Bills on foreign companies were preferred by the English Company's servants for some years after the battle of Plassey. The reason was that the Court of Directors were at first quite unwilling to allow any such bills to be drawn on them. Even when they permitted it, they were "allowed at too low a rate of exchange to be availed of." Clive, in his letter to the Court of Directors, dated 28th November, 1765, pointed out that "the refusing to grant bills will undoubtedly throw large sums into the hands of foreigners, particularly the Dutch, as immoderate riches have been lately acquired." The Court of Directors were at last convinced of the unwisdom of their policy and in their letter of November 11, 1768, authorised bills to be drawn on them, "in the season of 1769 to the same amount as (was) allowed last year, viz., £70,000." The Government of Bengal did not pay much attention to this limit and the amount of bills sold in 1770 far exceeded it. The total amount received under this head by the Bengal Government during the decade 1761-62 to 1770-71 was £2,598,931. From 1771, the amount of bills to be drawn on the Court of Directors was definitely restricted but there were other agencies for the remittance of private fortunes to England.

The transfer of wealth to England by bills of exchange led to a drain of goods from Bengal. Wih the greater part of the proceeds of the sale of such bills, the English and the foreign Companies purchased goods for export, in exchange for which Bengal received no corresponding imports. It is difficult to calculate the total value, because the amount of bills bought from English and foreign Companies cannot be determined with any precision. According to the *Ninth Report of the Select Committee* of 1783, the purchase of bills from foreign companies was about one million pounds per annum. But whatever may have been the amount of this drain, it does not appear that the East India Company was responsible for it.

Purchase of bills on foreign companies.

The direct drain to England on account of the English Company was also in the form of goods. It first arose in 1757 on account of the receipt of large sums by the English Company in Bengal, for its military and political services to the Indian rulers.[9] The surplus of this money over the actual expenditure, was used

Drain on account of the English Company.

[9] According to the *Report of the Committee of Secrecy* (1773) the net amount received by the Government of Bengal for its military services to the Indian rulers, after making donations to the army and paying compensations etc. was about £1,190,000 during the period 1761-62 to 1770-71.

for purchasing articles of export in exchange for which Bengal received nothing. We do not know the value of the Company's Bengal investments from 1757 to 1767. According to the *Report of the Committee of Secrecy* (1773) during the period 1761 to 1765 it was £1,786,760 *i.e.*, an average of £357,352 per annum. If for the four earlier years 1757 to 1760, a lower average of £300,000 per annum be taken, the value of the total investment for the whole period 1757 to 1765 would be about three million pounds. The value of imports to Bengal during the period 1756-1764 was £1,037,411.[10] As the Campany did not import any bullion to Bengal from 1757 to 1797, the amount of the direct drain to England on account of the English Company during the first nine years after the battle of Plassey, could not therefore exceed the difference between the total value of the investments and the total value of the merchandise imported during the same period, *i.e.*, about two million pounds.

Export of silver to China.

Another drain began also in 1757 from which year silver from Bengal began to be exported to China to provide funds for the Company's China investment. So far as this did not bring in exchange any

10 MacGregor, p 120. The value of the merchandise imported to Bengal during the period 1756-1764 was £879,996. To this we have added £157,415 of bullion imported in 1756, but the profit and loss on the Company's trade has not been taken into account.

import to Bengal it resulted in a drain to England *via* China. The exact amount of this outflow of wealth is also difficult to estimate. A letter of the members of the Select Committee of Fort William to the Court of Directors, dated January 31, 1766, throws some light on this subject. The members observed that they had set apart £300,000 that year for the Company's China investment. The Select Committee of 1782-83 estimates the average value at £100,000 per annum.[11]

Investment of surplus revenue.

But the chief drain for which the Company was responsible arose out of the investment of the surplus of the territorial revenues of Bengal. Such investment began regularly from the year 1766. It

11 *Ninth Report*, 1782, p. 16. Steuart writes in 1772, "the specie carried out by the Company for the China market, in the space of three years, amounts to about £720,000.

It appears that the money sent from Bengal to other British settlements in India was spent, not only for meeting the actual territorial expenses of the Company in those parts but also for the Company's "investments." Thus the Governor and his Council at Calcutta in their letter to the Court of Directors, dated March 24, 1768 observe, "the demands made on us from the Presidency of Madras, for the support of the war, amount to 20 lacks of rupees. We have determined to supply them with 12 lacks from your treasury and have desired them to appropriate three lacks for that use *from the sums we have remitted thither, for the service of your China investment* (the italics are ours)." The exact amount of the drain through China or through other British settlements in India cannot be calculated. According to the *Report of the Committee of Secrecy* (1773) the net amount of remittances from Bengal to other settlements in goods, bills and bullion during the period 1761-62 to 1770-71 was £2,358,298.

arose under the following circumstances. After the grant of the *Dewani*, the most extravagant ideas were entertained in England as to the advantages to be derived from the so-called fabulous wealth of Bengal. The enormous fortunes made by the Company's servants, were, to a great extent responsible for the prevalence of such ideas. The proprietors of East India Stock and the British Government demanded a share of the territorial revenues of Bengal. "About £200,000 was added to the annual dividends of the proprietors; £400,000[12] was given to the State; which added to the old dividend, brought a constant charge upon the mixt Interest of Indian Trade and Revenue, of £800,000 a year; this was to be provided for at all events." Thus the demands of Parliament and the Proprietors as well as the Company's own requirements necessitated the transfer of the surplus of the territorial revenues to England, which was in the form of exports from Bengal. According to the *Ninth Report of the Select Committee* of 1783, this drain of surplus revenue finally ceased in 1780.[13] The amount

12 By Townshend's Act of 1767 (7 Geo. III Cap. 57) the E. I. Company undertook to pay £400,000 per annum to the British Government. This payment was continued only for five years. The total amount paid by the Company to the British Government from 1768 to 1775, both years inclusive, was £2,169,399. (Langton's evidence before the Select Committee of the House of Commons, on July 21, 1831).

13 It is difficult to say when the investment out of the surplus of territorial revenues first began and when it finally

does not appear to have exceeded ten million pounds[14] during the period 1766 to 1780.

Total Drain to England.

What then was the total drain to England during the period 1757 to 1780? This amount, as already indicated, cannot be accurately calculated. It appears to have been something like 38 million pounds sterl-

came to an end. The greater part of the funds for investment during the period 1766-1780 came out of the surplus of the territorial revenues of Bengal. This continued after 1780. The Currency Committee of 1787 (see *ante*), observed, "If the English had not the revenues, they would bring goods or bullion for the amount of cargoes they carry to England. This great sum has been lost altogether to the country now for near 30 years."

14 This amount has been determined from the following calculation. The total Bengal investment during the period 1766 to 1780 was £12,360,264. The value of the merchandise imported to Bengal from England during the years 1765-1779 was £1,903,911. As the Company did not import any bullion to Bengal during this period, the drain of surplus revenue could not have been more than £12,360,264 *minus* £1,903,911. It must have been somewhat smaller than £10,456,353, because a part of the funds for investment came out of the proceeds of the sale of bills of exchange on the Directors of the Company. As the territorial and commercial accounts were mixed up, the value of the Bengal investment provided out of bond debts raised in that province cannot be calculated. But such investment really amounted to an investment out of the surplus of the next year's revenue, because bond debts created one year, were often discharged during the very next year. Thus during the period 1761-62 to 1770-71 the total bond debt created by the Company in Bengal amounted to £1,337,731 and the bond debts discharged during the same period amounted to £936,196. Such debts did not amount to a large sum before the year 1780. The investment from this source was therefore small and has accordingly been neglected in this calculation.

ing.[15] Even if it was a few million pounds less, it must have been a very heavy burden on the people of Bengal,—much heavier at that time than it would be at the present day, because the purchasing power of the rupee was then at least five times as high.[16]

15 This amount has been arrived at as follows :—

(1) The drain to England resulting from the purchase of bills on foreign companies at the average rate of one million pounds sterling per annum (*Ninth Report*, 1783) during 24 years from 1757 to 1780	£24,000,000
(2) The drain to England on account of the Company from 1757 to 1765, say, ...	£2,000,000
(3) The drain to England caused by the export of silver to China by the East India Company at the average rate of £100,000 per annum (*Ninth Report*, 1783) during the 24 years from 1757 to 1780	£2,400,000
(4) The drain arising from the "investment" out of surplus revenue and out of the proceeds of the sale of bills on the Court of Directors during the period 1766 to 1780	£10,000,000
	£38,400,000

To this sum of £38,400,000, should be added the money value of the drain to England, caused by the export of bullion (1) to China, by private English individuals, and (2) to Madras and Bombay, by the Government of Bengal, in providing the Company's investments from those places. As this cannot be determined, even approximately, it had to be omitted from the calculation. Nor for the same reason could shipping charges and other invisible items of export and import be considered.

16 Appendix 15 to *the Sixth Report,* 1782 quotes from Fort William Revenue Consultations, dated November 29, 1776, the following list of prices of necessaries of life in 1729 and in 1776 :—

It is needless to say that this heavy drain led to a great impoverishment of the province.

Economic effects of the Drain.

As stated above, the greater part of this wealth went out in the form of goods. But on account of the oppression on the weavers, the monopolistic power of the Company and unfair competition of the Company's servants in the inland trade, the indigenous merchants and manufacturers were little benefited by the increased exports which

ARTICLES.	Rate per rupee at Murshidabad in 1729. Mds.—Srs.	Rate per rupee at Calcutta in 1776. Mds.—Srs.
RICE, fine, called Bansephool—		
1st. sort	1—10	0—16
2nd. sort	1—23	0—18
3rd. sort	1—35	0—21
Do. coarse called "Desna"	4—15	0—32
,, ,, Poorbie	4—25	0—37
,, ,, Munsurah	5—25	1—0
,, ,, Kurkashallee	7—20	1—10
WHEAT, 1st. sort	3—0	0—32
2nd. sort	3—30	0—35
BARLEY	8—0	1—13
BHENOT, a kind of grain for feeding horses	4—35	0—20 to 22
OIL, 1st. sort	0—21	0—6¼
2nd sort	0—24	0—6¾
GHEE, 1st. sort	0—10½	0—3
2nd. sort	0—11¼	0—4

The above list of prices in 1776 may be compared with the prices of necessaries in 1913-14 to get a rough idea of the purchasing power of the rupee during the period 1757-1780.

resulted from this drain.[17] As Sir James Steuart aptly observed, "the exportations made from Bengal by the East India Company do not enrich it, any more than the importations of the spoils of the world impoverish ancient Rome." This heavy withdrawal of resources was mainly responsible for the scarcity of silver in Bengal during the period 1757 to 1772.

Chief causes of scarcity of silver: 1. Reduced import;

As has already been said, bullion, specially silver, formed the chief import of the English Company to Bengal up to the year 1756. During the years 1708 to 1756 the amounts of bullion and merchandise sent to Bengal by the English Company were £6,406,023 and £2,283,843 respectively. But during the period 1757 to 1797 the Company hardly imported to Bengal any gold or silver from England. This stoppage of the import of bullion was, as we have seen, due to many causes. After the battle of Plassey, the East India Company received considerable amounts of money from native rulers as tribute and compensation. Englishmen, who now began to make enormous fortunes in Bengal, transmitted their wealth

[17] Dr. James Wise writes, "The financing of the East India Company's trade out of the revenues of Bengal gave a new and unprecedented stimulus to weaving (at Dacca). . . . This prosperity, however, was very deceptive, being founded on injustice and intolerable oppression."—*Notes on the Races, Castes and Tribes of Eastern Bengal*, by James Wise, M.D., London, 1883.

by bills drawn on the Court of Directors of the Company in England. But the chief cause was the large surplus of territorial revenue, especially since the grant of the *Dewani* to it in 1765. The other European Companies which also had to import bullion for financing their export trade, discontinued their imports, for they were provided with ample funds by selling bills to the English Company's servants anxious to remit their fortunes to Europe. Bengal was thus deprived of the usual import of about £780,000 of bullion every year. The declining trade of Bengal with Persia and the Red Sea also reduced the import of bullion from that source from about £250,000 to £50,000 per annum.

2. Increased export.

In addition to this decline of import, large quantities of bullion were exported out of Bengal to China and to other British settlements in India. Mir Kasim, after his defeat at the hands of the English, carried off an immense treasure from Bengal.[18] Only the specie which he thus took away has been estimated at $1\frac{1}{4}$ million pounds sterling.[19] Even omitting this sum, Bengal had lost during the period 1757 to 1766, "by deficiency in the usual imports of bullion and by exportation of silver,

18 According to Verelst (see his letter to the Court of Directors, dated the 5th April, 1769) "Cassim Ally was the cause of a loss of near five crores of rupees (£6,250,000) in jewels and specie to the country."

19 Dow—*History of Hindostan*, Vol. I, p. cxvi.

more than eight million sterling." Mandeville writing in 1750 observes that after the despatch of the annual tribute to Delhi, "there is hardly currency enough left in Bengal to carry on any trade, or even to go to market for provisions and necessaries of life till the next shipping arrives to bring a fresh supply of silver."[20] The imperial tribute from Bengal never exceeded $1\frac{1}{4}$ million sterling. The hardship caused by the loss of eight million pounds within ten years of the battle of Plassey may be easily imagined.

First attempt at bimetallism.

To remove the economic distress caused by this shortage of currency, Clive tried to establish bimetallism in 1766 by introducing gold coinage. The following Regulations were accordingly passed on June 2, 1766:—

"1. That the gold mohurs shall be struck bearing the same impression with the present Murshidabad sicca and that this mohur shall also be issued in the subdivisions of halves, quarters and eighths.

2. That the new coin shall be of the fineness of twenty carats, or it shall contain one-sixth part of an alloy. . . .

3. That the gold mohur shall be increased from fifteen annas, the present weight, to sixteen annas. . . .

[20] Mandeville's letter dated November 27, 1750, quoted in Steuart's *Principles of Money*, pp. 62-63.

4. That the par of exchange between the gold mohurs and the silver sicca rupee shall for the present be estimated at the rate of fourteen to one. . . .

5. That the silver sicca rupee shall not be less than the standard of 11 oz. 15 dwt. or 13 dwt. better than the English standard. . .[21]

6. That a tender of payment, either public or private, shall in future be equally valid in gold and silver. . . ."

But to guard against the exportation of gold which was more convenient for such purposes than silver, and to encourage the public to bring gold to the mint for coinage, the legal rate of the gold mohurs exceeded by $17\frac{1}{2}\%$ their market value in silver.[22]

21 *i.e.*, 20/24 fine. Sir James Steuart writes (*op. cit.*) "As to gold, the English standard is reckoned by carats and grains. Twenty-four carats is called fine gold; every carat is divided into four grains, so in fine gold there is twenty-four carats or ninety-six grains." It may be noted here that the standard of English gold coin was then, as it is now, 22 carats fine. The actual weight of gold mohur and silver rupee was 179·66 grains (troy).

Sicca rupee (from Arabic *Sikka*—a coining die) was the designation of the silver currency of the Mughal Emperors.

The English standard was then, as it is now, 11 oz. 2 dwt., *i.e.*, 37/40 fine, whereas the *sicca* standard was 11 oz. 15 dwt. 4·8 grains, *i.e.*, 98/100 fine.

22 In Clive's scheme, the official ratio between pure gold and silver was fixed at 16·45 to 1 but the market ratio ruling in Europe at this period was 14·81 to 1. As silver has generally been dearer in the East, the market ratio between the two metals must have been somewhat less in Bengal. According to Sir James Steuart, it was 14 to 1. In that case, the official rate fixed for gold mohur was $17\frac{1}{2}$ per cent. higher than the market rate. The gold mohur at that time contained 149·72 grains of fine gold and the *sicca* rupee 175·92 grains of fine silver.

Ineffective Notification.

Clive and the members of his Council seem to have had no idea of the economic consequences of this divergence between the market and official ratios of the two metals and they issued the following notice on June 30, 1766:

"Notice is hereby further given that any person or persons discovered in attempting to make a variation of the exchange here settled between gold and silver or in obstructing the currency of a new coin by refusing to accept it in payment, if natives they will be punished with utmost severity, if Europeans they will forfeit the Company's protection and be sent to England forthwith." But this stringent order proved quite ineffective. Economic laws have little respect for statesmen and administrators. The bimetallic scheme of 1766 made it profitable to hoard, melt and export silver, instead of gold. It is no wonder that silver disappeared from circulation. When it circulated at all, it commanded a premium; in other words, gold mohurs passed at a discount which rose to about 38 per cent. even in Calcutta within about a year and a half.

Verelst diagnoses true cause.

Verelst, who succeeded Clive as the Governor of Bengal, had a sounder knowledge of economic theories. He ascribed the breakdown of bimetallism to the over-

valuation of gold. In his minute of September 1, 1768, he clearly stated that the gold currency of 1766 had encouraged the import of gold and discouraged its export "by putting a current value upon it considerably above its real one." The result was that the value of gold fell in terms of silver. "It is a certain proposition," continued Verelst, "that the particular increase of any species of coin will either sink its own value or what is in fact the same, raise that of the other current coins, which may be in a smaller proportion." The above idea was repeated in the following resolution of the Board on March 20, 1769, with Verelst as the President:—"The establishment of a gold currency was not in itself a grievance but the erroneous plan on which it was founded. . . . The original and capital error in the former currency was that of lowering the standard as a supposed encouragement to a larger importation of gold."

Petition of Calcutta merchants.

In fact, the gold currency of 1766 had intensified the troubles so much that during the next two years "internal traffic ceased." The leading European merchants of Calcutta petitioned Verelst in 1769 to devise some remedy. The petitioners observed that "at present the distress is so great that every merchant in Calcutta, is in danger of becoming bankrupt, or running a

risk of ruin by attachment on his goods, which would not sell for half their value, it being impossible to raise a large sum at any preminum or bond." In the opinion of the petitioners, gold might be made a convenient currency for Calcutta, though not for the trade of Bengal in general, if the shroffs were prevented from "taking advantage of the necessities of those who carry on trade to the *Aurungs*."[23] They accordingly proposed the coining of mohurs, half-mohurs and quarter mohurs, "equally in value and standard to those commonly called Delhy; forbidding by (government) authority, any shroff,[24] under pain of severe fine and imprisonment, to exact more than one per cent. for exchanging them into silver for the purposes of merchants trading out of Calcutta." The Armenian merchants of Calcutta took a wider view and suggested in their petition to the Governor "the immediate coinage of mohurs, with all their divisions and sub-divisions to one anna, sixteen sicca value of pure gold," as universal legal tender throughout the province. They also observed that a large quantity of gold had been imported to Calcutta and if silver was not to be had, let the Government coin mohur with all its sub-divisions, because "any coin whatever is better than no coin at all."

23 *i.e.*, places of manufacture.

24 *i.e.*, indigenous banker or money-lender.

The English Government in Bengal, in its reply to these petitions, observed that the distress caused by the scarcity of silver was not confined to Calcutta alone but was spread all over the province. It accordingly withdrew from circulation the gold mohurs of 1766 and proposed to issue a gold currency throughout the province according to the following plan described in an advertisement of June 17, 1769:—"That a gold mohur be struck of the fineness of the ancient Delhi mohur coined in the first ten years of the reign of Mahomed Shah[25] of the fineness of 23 carats $3\frac{3}{4}$ grs. but to weigh seventeen annas *sicca* or 7 dwts. $23\frac{1}{2}$ grs. troy,[26] which shall be issued and received in all public and private disbursements and receipts whatever at 16 sicca rupees for each mohur." But as the mohur was too large a monetary unit for the ordinary purposes of currency in a poor country like Bengal, "halves, quarters, eighths, and sixteenths" of mohurs were pro-

Gold coinage of 1769.

25 In the original plan for gold currency, proposed by the President and Council on March 20, 1769, the gold mohur was "to be of the ancient Dehly standard." But the fineness of Muhammad Shah's mohur, which was supposed to approach "the nearest to the proportional value between gold and silver," was definitely adopted on the advice of the Nawab's government and the plan changed as notified in the advertisement of June 17, 1769. This advertisement is quoted in full in *Midnapore District Records,* Vol. II, p. 145.

26 The exact weight of this new gold mohur was, according to Sir James Steuart, 190·773 grs. and it contained 190·086 grs. of fine gold.

posed to be issued to supply the place of silver in smaller monetary transactions. To encourage the merchants who had gold for coinage, all duties were proposed to be abolished except one per cent. to defray the actual cost. The legal ratio fixed between gold and silver in this new gold coinage was more nearly equal to the market ratio between the two metals than was the case in 1766. But even at this new legal ratio, which was described by the Government as "the most just and equitable proportional value between gold and silver," gold mohurs had been over-valued in point of fact by as much as 5.71 per cent. The result was that the bimetallism attempted in 1769 also failed.[27]

Bolts's criticism of the Company's currency system.

William Bolts remarks that "among the varieties of iniquitous abuses practised in Bengal and adjacent provinces, to the injury of individuals and great hurt of trade in general, we may properly rank those of the spurious coinages which had been made of late years both in the gold and silver species expressly contrary to law and apparently for fraudulent pur-

27 It appears however from Shore's Minute of September 29, 1796, that this second attempt at bimetallism though unsuccessful in other parts of the province did not breakdown in Calcutta for sometime. He writes, "the gold mohurs, notwithstanding their presumed over-valuation, passed current in Calcutta, for more than sixteen years, at no greater discount than 1/260th of their prescribed value."

poses." But it may be said in reply to this charge that the hardship caused by the unsatisfactory currency system of Bengal proceeded from two sets of causes, one of which had been at work before the English had taken any part in the government of Bengal. The other resulted not from any deliberate attempt of the Company to defraud the people, but from the changed character of the foreign trade of Bengal from 1757 and from the well-meaning, though injudicious attempts of the Company at currency reform. As a matter of fact, the Company itself suffered as much as the people on account of the currency chaos.

Mughal currency system.

To form a proper estimate of the currency difficulty of this period, it is necessary to know something of the condition of currency in Bengal before the *Dewani*. The silver rupee had been the chief measure of value and the legal tender of payments in Bengal as well as in other parts of India,[28] under the Mughal administration, notwithstanding the fact that the revenue was reckoned in copper *dams*. Gold was then coined to a small extent as a supplementary currency. It was generally used in making presents and in paying tributes. The mohurs were generally struck for the convenience of

[28] But the gold *hun, weighing about 52 grains*, (called *pagodas* by Europeans) was the standard coin in Southern India.

individuals, who wanted to have their gold, converted into coins. But the Government did not try to maintain any fixed legal ratio between the two metals and gold was allowed to find its market ratio in terms of silver. For small transactions in Bengal, people generally used *cowries*, of which a large amount was regularly imported from the Maldive Islands.[29] Occasionally however these

29 Thus Manucci writing in the middle of the seventeenth century observes that *cowries* "came from the Maldives and are current money in the kingdom of Bengal." But Mr. Moreland has pointed out that copper was minted in Bengal in the seventeenth century and has referred to the following passage in the *Diaries* of Streynsham Master, Vol. II, p. 281, footnote, "Copper cannot be wrought into utensils in Dacca as in other towns, but all must be carried to the mint for pice." It however appears that what little copper there was in circulation in the seventeenth century must have been practically replaced by *cowries* in the eighteenth. The only reference to the circulation of copper coins in Bengal before 1781 is in the *Proceedings* of April 14, 1760, quoted by Long in his *Selections*, p. 211, which runs as follows :—" . . . the coolies and artificers (in Calcutta) complain that they do not get the real value of the copper money they are paid in at the bazar." The contemporary writers refer to the prevalence of *cowries* and not of copper in the mofussil. Thus Stavorinus, the Dutch Admiral, who visited Bengal, *circa* 1770, writes in his *Voyages to the East Indies* (translated by Wilcocke, Vol. I, p. 462), "Copper coin is not seen in Bengal. For change they make use of . . . *cowries* . . . . ." Taylor in his *Topography*, p. 216, also writes "The Arcot rupee was at this time (1774) the currency of the eastern part of Bengal . . . cowries supplied the place of copper." Westland and Beveridge also observe that no copper coin was current in the districts of Jessore and Backerganj till 1814, *cowries* being used for small change. In an extract from a *Consultation* at Purneah dated September 10, 1776 in the Imperial Records Office, Calcutta, it is stated that "copper forms no part of the circulating money, its place is supplied by *cowries*, and in the Sylhet district they are the principal currency." In Hicky's *Bengal Gazette* of April

shells were used for large monetary transactions also. As late as 1791 the revenue of Sylhet was paid in *cowries.* Even the annual tributes from some feudatory princes were paid in them.[30] But inspite of the occasional use of *cowries* for quite large transactions, Bengal practically had silver mono-metalism up to the year 1766.

Lack of uniformity.

Though the rupee remained practically unchanged in weight and purity in Northern India throughout the Mughal period from Akbar to Muhammad Shah, there was no complete uniformity of currency even under the strongly centralised administrations of Akbar and his three immediate successors, because the rupees struck by the Emperor in different years were treated as different species of coins. As Tavernier writes "the longer time that a rupee of silver has been coined the less is it worth than those coined at the time or which have been coined a short time, because the old ones having often passed by hand, it wears them and they are in consequence lighter."

29, 1780, quoted in Yule's *Hobson-Jobson,* there is the following passage :—"We are informed that a copper coinage is now on the carpet . . . it will be of the greatest utility to the public and will totally abolish the trade in *cowries,* which for a long time has formed so extensive a field for deception and fraud."

30 Thurston, in his *History of the Coinage of the Territories of the East Company,* quotes the treaty engagement, dated December 16, 1803 of a tributary prince of Orissa who agreed to pay 12,000 *kahuns* of *cowries* to the East India Company as his annual tribute.

This practice of charging a discount or *batta* on the coin, according to the period for which it had been in circulation, thus arose originally to prevent worn-out old coins from replacing the newly coined ones in circulation. But this practice, even when the discount charged was not arbitrary must have caused considerable hardship to the common people who could not read the year of the Emperor's reign which such coins carried upon them and accordingly could not ascertain their actual value.

Currency difficulty in Bengal before 1757.

But with the disintegration of the Mughal Empire after the death of Aurangzib, the different Indian Powers set up their own independent mints and struck their own coins. Under such circumstances, uniformity of standard could hardly be expected. It must however be said to the credit of the quasi-independent Nawabs of Bengal like Murshid Quli and his successors, that they did not tamper with the weight and fineness of the rupee struck by them. This *sicca* rupee, on account of its triennial recoinage,[31] seldom lost its original

31 As Verelst writes, "at the expiration of three years, when these *sicca* rupees, then called *sunats*, pass at 111/116 parts of the original denomination, they are carried to the mint chiefly by the *shroffs*, who receive them back recoined, and consequently raised in value to 116, the first and the highest denomination, deducting the expenses of coinage, amounting to something more than 2 per cent. By this operation, the *shroffs* gain nearly 3/116

purity. But it was not the only circulating medium in Bengal. The balance of trade, being generally in favour of the province, the rupees issued by numerous mints in different parts of India, poured into that province and entered into circulation. The coins of these different mints were not of the same uniform weight and fineness. Some of these mints even deliberately debased their coins. Or, when the mint authorities issued good coins, persons were not wanting to subject these coins to every species of debasement. This debasement gave the *shroffs* an opportunity of charging such an arbitrary *batta* as they could settle with the owner of such coins. In this, bargain, the *shroffs*, from their superior knowledge, had always the advantage. Thus, a multiplicity of coins, in various stages of debasement, existed in Bengal, even before the battle of Plassey. What the English did, was to make "confusion worse confounded" by their early supposed currency reforms. But as economic science was, then in a state of infancy, their blunders in currency matters may be easily pardoned.

The distress[32] caused to indigenous traders

parts upon the value of the coin every third year; an advantage confined wholly to the sicca rupee. A triennial recoinage is the consequence of this regulation."

[32] The poorer people who made their payments in kind did not suffer to the same extent as the traders and manufacturers.

Monopoly of inland trade by the Company's servants.

and manufacturers by the Company's currency muddle sinks however into insignificance when it is compared with the hardship arising from the abuse of *dastaks* on the part of the Company's servants. We have already seen how the servants of the Company used its *dastaks* to cover their own export and import trade and how they sold these passports to the indigenous traders even before the battle of Plassey. Such abuses could not however be extensive so long as the country government was strong. But when Mir Jafar ascended the throne of Bengal in 1757, the European servants of the Company claimed exemption[33] from the inland duties in their trade, not only in articles of sea-borne export and import but even in many of the common

[33] How unjust and unreasonable this claim was may be realised from the following speech of Clive before the House of Commons on March 30, 1772 :—

"Many years ago an expensive embassy was sent to Delhi to obtain certain grants and privileges from the Great Mogul in favour of the East India Company, and amongst others was obtained the privilege of trading duty-free. The servants were indulged with this privilege, under the sanction of Company's name. The Company never carried on any inland trade. Their commerce has been confined to exports and imports only. It is impossible that the servants should have a more extensive right than the Company itself ever had. Yet they claimed a privilege of carrying on an inland trade duty-free. The absurdity of a privilege so ruinous to the natives, and so prejudicial to the revenues of the country is obvious." (Quoted from Hallaward's *William Bolts*, p. 9.)

necessities of life, *e.g.*, salt, betel-nut and tobacco. Mir Jafar was too weak to resist these demands. He frequently complained[34] in vain to the English Resident at his court and to the Governor in Calcutta. The Company's servants and their *gomastahs*[35] thus began to carry all conceivable merchandise from one part of the province to another duty-free, while the goods of the country merchants were taxed heavily by the Nawab's government. The result was that almost the entire inland trade passed into the hands of the Company's servants and their underlings, who amassed huge fortunes. A man like Willian Bolts, according to his own account, accumulated the large fortune of £90,000 within six years. Thus, while the individual servants of the Company quickly became rich, their unfair competition ruined Indian traders and defrauded the Nawab of a very large part of his revenue. These abuses increased with the spread of European traders or free merchants who had now penetrated to all parts of the country and followed the Company's servants in their invasion of the inland trade. These free merchants and even some native traders often acted in league with the Company's servants and deprived the country government of its dues. Verelst writes that the power of the English traders "greatly

34 Vansittart, Vol. I, pp. 25-30.

35 *i.e.*, Indian agents.

contributed to the distress of Meer Jaffir's government, which, in the year 1760, afforded a pretence for a new revolution in favour of Meer Cassim."

Trade abuses under Mir Kasim.

During Mir Kasim's administration, the abuses of inland trade by the Company's servants and their *gomastahs* began to increase rapidly. Hastings, in his letter to Governor Vansittart, dated April 25, 1762 observed, "I beg leave to lay before you a grievance, which loudly calls for redress. . . . I mean, the oppressions committed under the sanction of the English name and through the want of spirit on the Nabob's subjects to oppose them. This evil, I am well assured, is not confined to our dependents alone, but is practised all over the country, by people falsely assuming the habits of our *seepoys* or calling themselves our *gomastahs*. I have been surprised to meet with several English flags in places which I have passed; and on the river, I do not believe that I passed a boat without one. By whatever title they have been assumed, I am sure their frequency can bode no good to the Nabob's revenues, the quiet of the country or the honour of our nation." Mir Kasim complained that being deprived of the inland duties by the abuse of the Company's *dastaks*, he suffered an annual loss of nearly 25 lacs of rupees.

Oppression in connection with inland trade.

The Nawab, in his letter of May, 1762 to the Governor did not exaggerate the true state of things when he wrote: "Every Bengal *gomastah* makes a disturbance at every factory and thinks himself not inferior to the Company. In every *perganah*,[36] every village and every factory, they buy and sell salt, betel-nut, ghee, rice, straw, bamboo, fish, gunnies, ginger, sugar, tobacco, opium, and many other things. . . . They forcibly take away the goods and commodities of the *reiats*,[37] merchants, &c., for a fourth part of their value; and by ways of violence and oppressions, they oblige the *reiats*, &c., to give five rupees for goods which are worth but one rupee, . . . and they allow not any authority to my servants. . . . And every one of these *gomastahs* has such power, that he imprisons the collector and deprives him of all authority whenever he pleases." Sergeant Brego, in his letter to the Governor, dated May 25, 1762 also described how Bakarganj was "growing destitute of inhabitants on account of the oppression of the *gomastahs* of the Company's servants and how these *gomastahs* engrossed the different branches of trade and forced the inhabitants to buy from them their goods or sell them

36 *i.e.*, unit for revenue purposes.

37 or *raiyats*, *i.e.*, cultivators and agriculturists generally.

theirs and how, on refusal, they flogged or confined them."[38]

Agreement between Mir Kasim and Vansittart.

The frequent disputes between the Nawab's officers and the Company's servants in connection with inland trade, increased so much the danger of a rupture between the Nawab and the English that Governor Vansittart proceeded to Monghyr and an arrangement containing the following proposals was agreed upon between him and Mir Kasim :—

(1) that "for all trade imported or to be exported by shipping," the Company's *dastak* should be granted;

(2) that for all inland trade, the Company's *dastak* was not to be granted but it was to go with the *dastak* of the Nawab's government;

(3) that at the time of taking this latter *dastak*, a duty of 9 p. c.[39] was to be paid by the Company's servants;

(4) that the said duty having been paid, no further duty should be demanded from the Company's servants;

(5) that the goods furnished with the Company's or the Nawab's *dastaks*

38 Vansittart, vol. II, pp. 113-114.

39 The duty of 9 p.c. would have given considerable advantage to the Company's servants over the Indian merchants who had to pay a duty of about 25 p.c.—Hallaward's *William Bolts*, p. 8.

were not to meet with any obstruction and the Nawab's officers should have nothing more to do than to demand a sight of such *dastaks*.

(6) that if anyone should attempt to pass goods without the Nawab's or the Company's *dastaks* or with the Company's *dastaks* clandestinely procured, his goods should be seized and confiscated;

(7) that the *gomastahs* should on no account use force in buying or selling.

Abolition of inland duties and war with Mir Kasim.

The Council at Calcutta annulled this agreement and supported the demand of the Company's servants that all their private trade should be exempted from duty and merely agreed to pay a duty of $2\frac{1}{2}$ per cent. on salt. Mir Kasim protested and abolished inland duties altogether, putting the country merchants on an equal footing with the Company's servants. Hastings and Vansittart argued that the Nawab had the right to abolish inland duties. They supported the Nawab's measure also on the ground that it might prove advantageous to the Company and "to the country in general by rendering the necessaries of life cheaper." But the majority of the Council refused to recognise the Nawab's power of

protecting his own subjects, by the remission of his own duties and insisted on the re-imposition of duties on the country merchants. This led to the war[40] between the English and Mir Kasim.

Re-imposition of duties on country merchants.

After Mir Kasim's defeat, Mir Jafar was raised to the throne of Bengal for the second time. By the treaty of July 10, 1763, he agreed to re-impose the inland duties on the country merchants. The exemption of duties to the Company's servants in their inland trade, excepting a duty of $2\frac{1}{2}$ per cent. on salt, was also established by this treaty. The oppression of the Company's servants and their *gomastahs* accordingly continued. But Mir Kasim's outbreak awakened the Court of Directors to the enormity of the abuses. They strongly condemned the conduct of the Company's servants and on February 8, 1764 sent out an order prohibiting them from dealing in objects of internal consumption. In spite of this, the exemption from inland duties on the part of the Company's servants, was transcribed in the treaty with Mir Jafar's son and successor Nawab Najm-ud Dowla on the 20th of February, 1765.

40 The Court of Directors very justly considered the dispute about the monopoly of inland trade to be "the foundation of all the bloodshed, massacres and confusion which have happened of late years in Bengal."

Proposal to abolish inland trade by the Company's servants.

A few months after the conclusion of this treaty, Clive arrived in Calcutta as Governor, to reform the various abuses which had crept into the Company's service in Bengal. He found that the duty-free inland trade of the Company's servants had thrown the entire trade of the country into their hands. The violence of the Company's servants and their *gomastahs* had also annihilated the Nawab's government. He therefore proposed to the Court of Directors the abolition of the inland trade in salt, betel-nut and tobacco by the Company's servants. But as the Court of Proprietors urged the continuance of this trade to the Company's servants under some limitations, the Court of Directors ordered the Governor and Council after "consulting the Nabob to form a proper and equitable plan for carrying on the inland trade.

Society for inland trade.

Clive therefore formed an exclusive Society in 1765 for carrying on the trade in salt, betel-nut and tobacco. He distributed the shares of this Society among the Company's senior servants who were to enjoy the profits of the concern as a compensation for not taking part in inland trade. The formation of the Society, though it restricted inland trading by the Company's servants, did not however, put an end to it, "for the

Select Committee, in obedience to the Directors' orders, had, in December 1766, to restrict the use of the *dastaks* and to forbid all circular traffic from one *Aurung* to another." The Society traded chiefly in salt and engrossed the sole purchase of the article which it bought from Indian contractors who advanced money to the actual manufacturers of salt. According to the plan of 1765, the Society undertook to pay a duty of 35 p. c. to the Company as *Dewan* and then sell its salt free from any other duty in different places at certain fixed prices. By the new plan of 1766, the Society resolved to sell its salt to the Indian merchants in Calcutta, at the rate of rupees two hundred per hundred maunds, in which price was included the Company's duty of 50 p. c. The buyers of salt were then allowed to transport it throughout the country free from any further duty. The prices of salt fluctuated very much in Bengal before the formation of the Society. The Society introduced stability of prices. With the single exception of Calcutta and its neighbourhood, the prices charged by the Society were 12 to 15 p. c. lower than the average prices of salt in the various parts of Bengal for many years past. The establishment of the Society therefore marked an improvement over the previous state of things, though it must be admitted that the price charged by the Society was very high, when it is compared with the

recent prices of this indispensable necessity of life. The Court of Directors did not approve of the establishment of the Society which really made the monopoly of the salt trade by the Europeans a closer one than ever.[41] In their letter of May 17, 1766, they therefore ordered the abolition of the Society which finally came to an end in October, 1768.

Abuses of salt trade continue.

The object of the Court of Directors in abolishing the Society's monopoly of salt was to throw the salt trade open to the people, but the result was just the reverse. "The trade became the close preserve of the Company's servants acting as private individuals." Verelst writes, "when the general restraint of inland trade was no longer supported by the private interest and the authority of the Council, Europeans largely engaged under the names of their black agents and the profits of this commerce were added to the public allowance." Instead of allowing salt to remain practically a private monopoly, Hastings made it a government monopoly in 1772.

41 From the standpoint of revenue received, the Society was also not advantageous to the Government. "From the evidence taken before the Committee of Secrecy in 1773, it appeared that the Society had only paid in all £176,863 by way of revenue to the Company, that is £118,926 on account of 1865-66 and £57,937 for 1766-67."—*Calcutta Review*, Vol. VII, article on the *Salt Revenue of Bengal*. For salt revenue in Hastings's days, see Chapter III.

Company's monopolistic control over chief articles of export.

Forces were also at work during the period 1757 to 1772 to throw into the hands of the Company the greater part of the foreign trade which received an imptus during the Napoleonic Wars. We have already seen how the French trade with India received a fatal blow during the Seven Years' War and how the Dutch commerce in Bengal declined after their defeat in 1759. The increase of the English East India Company's trade was therefore in a great measure the result of its increased political influence and power. It was also partly due to the practice of providing "investment" out of the surplus of territorial revenues and partly to its monopolistic control over the important staples of export. For instance, saltpetre was an exclusive monopoly granted to the Company by Mir Jafar in 1758. The entire quantity of saltpetre produced in Behar was bought at certain fixed prices by the Company which exported the greater part of this article to Europe. The French, Dutch and other foreign Companies received in times of peace, from the factories at Behar a certain quantity of saltpetre, at a price settled with the Government at Calcutta. But the chief exports of the English Company at this period were cotton goods and raw silk, over which it exercised a quasi-monopolistic control and its method of providing these

articles of export caused considerable hardship on the people.

Financing of exports.

At that time, non-agricultural goods were produced in Bengal as in other parts of India, not only by independent artisans under pure handicraft system, but also under the domestic system by artisans dependent on the capital of merchants or middlemen. This latter system of production became more common after the advent of European trading Companies. Indian artisans were poor, with little capital of their own. European merchants found it difficult to procure a sufficient cargo for their vessels unless they were prepared to finance the manufactures either directly or indirectly. Two different systems of advances, *viz.*, the Contract and Agency systems were adopted by the Company in providing piece-goods for its investment. Under the first system, the Company made contracts with Indian merchants (called *dadni* merchants) who agreed to deliver the contracted goods at stated times and prices, and who in their turn made contracts with weavers and gave them advances of money (*dadan*) to enable them to buy the raw materials of manufacture. Under this system, the Company had no direct dealing with the weavers. Under the second system, the Company's European Officers, *viz.*, Residents, Senior and Junior

Merchants and Factors with Indian servants or *gomastahs* under them gave advances to weavers out of Company's own funds. The first system, as pointed out by Cornwallis to the Court of Directors in his letter dated November 1, 1788, "suited well with a small and merely commercial establishment under the power of an arbitrary government." But later on complaints became quite frequent that the *dadni* merchants supplied goods of inferior quality at enhanced prices. In 1753, the Company therefore gave up the Contract system and adopted the Agency system.

Oppression on weavers by Company's *gomastahs*.

We have already seen how the increased expenditure of the Company in England necessitated increased "investment" from Bengal. To ensure a large supply of piece-goods for export, the Company's *gomastahs* exercised monopolistic control over the weavers, who were not allowed to work for others, until they had furnished an adequate quantity of cloth for the Company. This control was generally exercised under the pretence that the weavers were "in balance" to the Company. As Francis writes, "in order that the East India Company might avail themselves of their increased revenues, it was necessary that their investment should be enlarged. . . . This could not be suddenly done without a monopoly of the manufactures; a monopoly sup-

ported by the numerous servants and agents, armed with authority, which caused great oppression of the manufactures." Cornwallis also remarks: "The exercise of influence was not confined to the business of the Company. Their servants, other Europeans and the native agents of all had recourse to it. Merchants from the Upper parts of Hindostan were in effect expelled, those concerned in exports by sea discouraged and the manufacturers not only restrained, but too often oppressed by the numerous tribes of native agents dispersed over the country, who served themselves at the expence (*sic*) both of their employers and of those with whom their (they?) dealt."[42]

Bolts's description.

Bolts writes that the Company's *gomastah* makes the weaver "sign a bond for the delivery of a certain quantity of goods, at a certain time and price, and pays them a part of the money in advance. The assent of the poor weavers is in general not deemed necessary; for the *gomastahs*, when employed on the Company's investment frequently make them sign what they please; and upon the weavers refusing to take the money offered, it has been known that they have had it tied in their girdles and sent away with a flogging. . . . A number of these weavers are generally also

[42] Letter from Cornwallis to the Court of Directors dated November 1, 1788 (I.O. Copy, Vol. 46.)

registered in the books of the Company's *gomastahs* and not permitted to work for any others, being transferred from one to another as so many slaves, subject to the tyranny and roguery of every succeeding *gomastah.* The cloth, when made, is collected in a ware-house . . . where it is kept marked with the weaver's name, till it is convenient for the *gomastah* to hold a *khattah*, as the term is, for assorting and fixing the price of each piece, on which business is employed an officer called the Company's *Jachendar* or assorter. The roguery practised in this department is beyond imagination, but all terminates in the defrauding of the poor weaver; for the prices which the Company's *gomastahs* and, in confederacy with them, the *Jachendars* fix upon the goods are in all places at least fifteen per cent. and in some even forty per cent. less than the goods so manufactured would sell . . . upon a free sale. The weaver, therefore, desirous of obtaining the just price of his labour frequently attempts to sell his cloth privately to others. . . . This occasions the English Company's *gomastah* to set his peons over the weaver to watch him, and not unfrequently to cut the piece out of the loom when nearly finished."[43]

[43] Bolts—*Considerations on India Affairs,* p. 193. William Bolts, a junior servant of the English East India Company arrived in Bengal in 1760 and resigned the Company's service in 1766. Within these six years, he amassed a considerable fortune

Other contemporary accounts.

In spite of his grudge against the East India Company, Bolts does not seem to have exaggerated in the above description, for his statements are corroborated by contemporary records. For instance, in their letter of November 11, 1768, the Court of Directors observe: "They (the weavers) are unwilling to engage in [Company's business] because we do not pay them a fair price. The gentlemen at Dacca say the foreigners give 20 or 30 p. c. more than we do but the fact that comes the strongest to the point is the sale of ferrilt (?) and damaged goods which sold at public auction from 10 to 100 p. c. advance, a clear proof of the injustice done to the weavers." The following authoritative account is to be found in the *Proceedings* of April 12, 1773:—"The two annexed papers which the President formed from an examination into the complaints made to him by the weavers of Santipore and which he has every reason to believe to be authentic, will show the present miserable situation of the weavers, since it appears that the prices given to them for the cloths provided on account of the Company's Investment, amount to no more

(according to his own account, it was £90,000) by taking part in duty-free inland trade. In 1768, he was deported to England by the English authorities in Bengal. Four years later, he published his *Considerations on India Affairs*, which forms a part of his campaign against the East India Company.

and in some instances less than the cost of the materials and their labour is extracted from them without any repayment. They are at the same time forbid (*sic*) under pain of corporal chastisement and forfeitures to work for private merchants or to make any other assortments but those ordered for the Company's investment, so that they have no means of living but by sinking a part of the advances made them in irrecoverable balances and by embezzlements and clandestine sales of your cloths to others." Verelst corroborates this description and states that "the *gomastahs* or agents of the Company were necessarily entrusted with powers, which they frequently abused to their own emolument; and an authority given to enforce a just performance of engagements, became, notwithstanding the utmost vigilance of the higher servants, a source of new oppression."[44]

"The story of the weavers' thumb."

This widespread oppression prepared the soil on which "the story of the weavers' thumb" could easily grow. There are two versions. One is that the servants of the East India Company and their agents went to the length of cutting off the thumbs of weavers. The other is that the weavers themselves severed their own thumbs to avoid being forced to weave piece-goods for the Company.

[44]Verelst, p. 85.

The writer has searched in vain for any evidence in support of either of these versions, in the early records of the East India Company. It is true that this negative evidence, specially coming from what may be regarded as an interested quarter, is not of any great value. But the first version of the story is on the face of it incredible. Cotton goods formed the most important export of the Company. It is impossible to believe that the Company would maim the weavers to the detriment of their own trade. The second version is probably based on a passage in Bolts's *Considerations* (p. 194) where he says that the winders of raw silk cut off their own thumbs to escape compulsory winding of silk. If the story of this horrible act of oppression on the weavers had any foundation, a sworn enemy of the English East India Company like Bolts would certainly have referred to it.

Decline of cotton industry.

Even if exaggerations like the story of the weavers' thumb be omitted, there is no gainsaying the fact that the oppression "proved so destructive of industry"[45] that many weavers gave up their profession.

[45]It is sometimes said that the oppression on weavers existed even in pre-British times and so the East India Company could not be held responsible for the decline of the cotton industry. What is not recognised in such an argument is that the oppression in Mughal times affected only a few weavers, who worked for the Court. It was never so systematic and widespread as under early British rule.

Verelst, in his letter to the Court of Directors, dated March 17, 1767, referred to the uncommon scarcity of weavers, a great number of whom had "deserted their profession to seek for subsistence from a less precarious calling." In his letter of March 28, 1768 to the Court of Directors, Verelst again observed that "plenty has succeeded to famine and security has induced the natives to apply themselves again to labour and to commerce; but the manufactures are scarcely increased, the *aurungs* are not so well peopled as they were twenty years before and yet your demand and those of other nations, are beyond what the country is able to supply, was every species of cloth to be purchased." This increased demand could not improve the declining cotton industry of Bengal, because no industry can flourish under a system of monopoly and coercion. In their letter to Bengal dated June 30, 1769, the Court of Directors aptly observe that "it is with concern we see in every page of your consultations, restrictions, limitations and prohibitions, affecting various articles of trade. In a country abounding with manufactures, this is the worst policy. A free liberty of buying and selling encourages the manufacturer and will increase the number. When the hand of authoritty is held over them, and they are told that they have only one market open for their goods, they will not long bestow their labours upon that trade, and the quantity

will decrease from year to year." One writer has contended "that the system of pre-emption maintained by the Company and the abuses connected with its method of making advances" did not contribute to this decline, because there was a rapid increase in the Company's investment of piece-goods after 1765. But the mere increase of exports by sweating labour is certainly not a sign of industrial progress. Taylor of course writes that the cloth trade of Dacca reached its maximum value in 1787 and observes, "this appears to have been the most flourishing period of the cloth trade of Dacca" but he also adds "or it was, at least the year in which the amount of exports was the greatest." It does not necessarily show that the industry was in a prosperous state. But it should be noted that the monopolistic control of the Company and the oppression of its *gomastahs* were not the only causes which brought about the decline of the cotton industry of Bengal.

Increased export of raw silk discouraged silk weaving.

The winders of raw silk who also worked with advances from the Company's *gomastahs*, suffered from their villainous practices. In 1769 the Court of Directors wrote to the Bengal government that "there was no branch of their trade they more ardently wished to extend than that of raw silk." About this time, the Company started silk reeling factories in Bengal and

resolved that silk winders should henceforth work in the Company's factories, instead of working in their own houses with advances from the Company. In their letter dated March 17, 1769, the Court of Directors sent the following instruction to the Bengal government:—"To prevent silk winders from working in their private houses, where they might work for private traders, and to confine them to the Company's factories, where they could only be employed for the Company's benefit, they desire that the newly acquired power of the Government should be effectually employed." In the same letter they "recommended every mode of encouragement and particularly by augmented wages in order to induce manufacturers of raw silk to quit that branch and take to the winding of raw silk." The result of this policy was to reduce the number of silk weavers and thus to injure the silk-weaving industry.

Effect of removal of restraints on price of raw silk and of piece-goods.

The Court of Directors at last realised the evil effects of the restraint of industry on the general prosperity of the country, and in their letter of April 10, 1773 ordered that "articles" should be bought at an equal and public market from the native merchants." As soon as this was done, the price of raw silk rose by 80 per cent. and that of piece-goods from 50 to 60 per cent. Not only did the price rise, but the quality

of manufactures "was debased nearly in an equal proportion." The Court of Directors thought that this rise in price and debasement of quality arose not from the removal of restraints but from the dishonesty of the Company's servants.[46] But it is doubtful whether such abnormal rise can be attributed to this cause alone, and must have been partly due to the fact that the price formerly paid was arbitrarily low.

Land Revenue system in Mughal times.

The period from 1757 to 1772 witnessed also the decline of agriculture, mainly due to unsatisfactory land revenue administration and to the famine of 1770. To realise the magnitude of the changes in the land revenue system, the following brief account of the system previously in vogue is necessary. With the exception of parts of the country held as *jagirs* by officers or as fiefs by local chiefs, direct dealing with the ryots formed the cardinal feature of the Mughal revenue system. When the Mughal power was strong, it did not countenance any farming of revenue. But in Bengal, that system could not be dispensed with, to a very considerable extent, even by Akbar and his three immediate successors. It was difficult to adopt the *ryotwari* system in Lower and Eastern Bengal, where the lands being subject to frequent alluvium and dilu-

[46] *Ninth Report*, 1783, p. 26.

vium, no accurate record of rights could long be maintained, and hence some kind of farming of land revenue could not be avoided. As Seton-Karr writes, "in Lower Bengal, more perhaps than in any other province of India, the most unexpected changes are wrought by the tremendous force of its streams, bringing down a yellow flood in the rainy season. A vast body of water cuts through natural obstacles; sweeps away whole villages, corrodes and absorbs half or the whole of an estate; inundates large tracts and disappears in the month of October, to leave behind it a fresh alluvial soil, from which every familiar landmark has disappeared, while the bewildered owners make vague guesses at the outlines of their former possession."[47]

Zamindars and quasi-zamindars.

The farming system has always been the special resource of governments in their decline, and from the beginning of the reign of Farruk-siyar it became very common not only in Bengal, but also in other parts of the Mughal Empire. "Then it was that besides the Rajas, Chiefs and ancient grantees who had a real hold over the country

[47]As observed by the Judicial Committee of the Privy Council in the recent case of *Srinath* v. *Dinabandhu*, (1914) 41 I.A. 221, "In the deltaic area of Lower Bengal, change is almost normal in the river systems, and changes occur rarely by slow degrees, and often with an almost cataclysmal suddenness."

and were already spoken of as *zamindars*, other classes of persons," speculators, Court favourites and government officials, who were employed as collectors of revenue, also began to be called *zamindars*. The title of the first class was naturally hereditary. They paid their land revenue to the State in the form of a fixed annual tribute. But the position of a *zamindar* of the latter class was different. His office was not at first hereditary. Originally he was bound to account for all monies he had realised from the ryots. He was to pay in all his collections to the government less a certain percentage, usually 10 per cent. But with the gradual weakness of the Mughal power, he became a mere contractor for a fixed sum, a revenue farmer[48] with practically hereditary right and was able to make his own terms with the *ryots*. Thus during the first half of the eighteenth century, a heterogeneous body of persons, from semi-independent chiefs to the mere revenue collectors, began to be called *zamindars*, who paid lump sums to the State every year, representing very imperfectly the revenue assessment of their estates. They were therefore in a sense only farmers of revenue.

[48]Baden-Powell—*The Origin of the Zemindari Estates in Bengal*, Quarterly Journal of Economics, October, 1896 pp. 40-42. See also Baden-Powell—*Land Systems of British India*, Vol. I, pp. 507-509.

Revenue system up to 1757 not very oppressive on *ryots*.

This old race of revenue farmers, unlike the new race who came into power under early British rule, did not generally oppress the ryots. Many of them enjoyed practically hereditary rights and therefore had a permanent interest in the welfare of their *ryots.* It is true that *abwabs* which were first openly imposed by Murshid Quli, were considerably increased by his two successors.[49] This must have caused some hardship on the ryots. But the total revenue in Bengal, including *awabs*, during the first half of the eighteenth century, was much lower than what was demanded and actually collected after the *Dewani.* The general prosperity of the country down to 1756, in spite of temporary set-backs caused by the Maratha raids, maintained more or less unimpaired the *ryot's* power of producing wealth.

Impoverishment of *ryots* during the period 1757—1765.

But after the battle of Plassey began a series of events which materially reduced the *ryot's* income. The first of these was the invasion of inland trade by the Company's servants and

49 *Fifth Report*, Vol. II, p. 120. *Abwabs* levied by the Nawabs of Bengal from 1722 to 1755 A. D. :—

(*a*) By Murshid Quli Khan	Rs.	258,857
(*b*) Additional impositions by Shujah Khan ...	,,	1,914,095
(*c*) ,, ,, ,, Aliverdi Khan ...	,,	2,225,554
Total amount of abwabs levied at the time of Aliverdi	,,	4,398,506

gomastahs, who as we have seen, often compelled the ryots to sell their agricultural products at an arbitrarily low price, and to buy their goods at an enhanced price. The second was the extortionate revenue demand of Mir Kasim. The third was the decline of the weaving industry which was a source of supplementary income. Thus when the *Dewani* was granted in 1765, the *ryots* were already suffering from acute economic distress. Under such a state of things it was evident that even any moderate revenue which could formerly have been collected with ease, must have become a rackrent and caused oppression.

Evils of farming system after the Dewani.

But the revenue collected after the grant of the *Dewani* was larger[50] than what was ever collected in Aliverdi Khan's time, when the country was in a flourishing condition The mode of collecting the revenue was no less objection-

[50]Francis's Minute of January 22, 1776. See also Becher's letter of May 24, 1769 and Shore's Minute of June 18, 1789 for similar statements. It is difficult to ascertain the total revenue demanded in Aliverdi Khan's time. According to the *Fourth Report of the Committee of Secrecy*, 1773, quoted in a footnote in Firminger's Introduction to the *Fifth Report*, p. cxv, this was Rs. 132,82,960. Assuming that this refers to land revenue proper, the total demand of Aliverdi was the above sum *plus* Rs. 43,98,506 (the total *abwab* from 1722 to 1755), *i.e.*, Rs. 176,81,466. Even if this entire sum was actually collected which is unlikely, the net amount paid into the Treasury in Aliverdi's time was less than the amount received by the Company after the *Dewani*. This is evident from the figures quoted in footnote 57 of this chapter.

able than the amount collected. "When the English received the grant of the Dewannee, their first consideration seems to have been the raising of as large sums from the country as could be collected, to answer the pressing demands from home and to defray the large expences (*sic*) here." The *zamindars* who were unable to pay the sums demanded, were dispossessed of the management of their lands. People of lower rank were therefore employed as *amils*[51] or collectors. They agreed to pay a fixed sum for the districts from which they

[51]These Indian collectors were appointed in the *Dewani* portion of Bengal but the revenue administration of the ceded districts (24 Purgannahs, Burdwan, Midnapore and Chittagong) was from the beginning under direct European management. Even in these districts the farming system was at first attended with disastrous results. Referring to the ceded district of Burdwan, Verelst writes that a plan adopted in 1762 was productive of certain ruin to the district. "The lands were let by public auction for the short term of three years. Men without fortune or character became bidders at the sale ; and while some of the former farmers, unwilling to relinquish their habitations, exceeded perhaps the real value in their offers, those who had nothing to lose, advanced yet further, wishing to all events to obtain an immediate possession. Thus numberless harpies were let loose to plunder, whom the spoil of a miserable people enabled to complete their first year's payments." When Verelst was appointed Supervisor of Burdwan in 1765, he described the existing revenue system of the district in the following terms :—"It appeared that on the second sale for three years, bidders had been found for little more than two-fifths of the land, the most beneficial of which were held in different names by the officers of government and *banyans* of European gentlemen. The remainder, under the denomination of *coss* (*khas*) fell into the hands of collectors who oppressed the people, bringing what they pleased to account."

were to collect revenue, and the man who offered the largest sum, was generally appointed. Thus collecting through *amils* was nothing but a system of annual farming of the revenue to the highest bidder. These revenue farmers had no certainty of holding their posts beyond the year. Their best recommendation for confirmation to their appointments in subsequent years was the punctual payment of their *kists* (instalments of revenue) to the government They therefore imposed fresh *abwabs* on the *ryots* when the rent realised from them proved insufficient. Some of the *amils* were not even punctual in paying their dues to the government. Their only aim was to extort as much as they could from the *ryots* and pay as little as possible to the government. Thus they plundered the people and defrauded the government at the same time. The poor *ryots* had no redress against the rapacity of the *amils*, who were practically under no check during the period of their appointment. Many *ryots* therefore fled from their homes in despair, swelling the ranks of the unemployed landless labourers.

Disbandment of Indian Soldiery and its consequent unemployment.

In fact, the problem of unemployment became quite acute in Bengal during the early years of British rule. One class of people to suffer was the numerous soldiery of the Nawabs. Mir Jafar himself disbanded eighty thousand soldiers

"whose mutinies were formidable to the prince while they performed little service in the field." The lesson learned from Mir Kasim led the English to disband the remaining soldiers of the Nawab Najm-ud-Dowlah who, according to the 4th article of his treaty with the Company in February 1765, agreed to maintain no troops but such as are "immediately necessary for the dignity of his person and government and the business of his collections." Only a small portion of these disbanded soldiers found employment in the Company's army. The Indian military officers who had lost their appointment, did not also find suitable posts in the Company's army, because "no native of whatever description was allowed to hold any rank higher than that of a subadar commandant, that is, of an officer below the rank of the English subaltern." Many *zamindars*, reduced to beggary, by the crushing land revenue demand of Mir Kasim and later on of the English Company, dismissed their numerous armed retainers and *lathials* who, like the disbanded soldiery, increased the number of the lawless and disorderley section of society.

Unemployment of other classes.

The period from 1757 to 1772 witnessed also the economic distress of many other classes of people. Ever since the battle of Plassey, the Nawab's income was gradually becoming smaller. The enormous

"presents and compensations" exacted from Mir Jafar and his successors, Mir Jafar's own misgovernment, the cession of the districts of 24 Parganahs, Burdwan, Midnapore and Chittagong, the monopoly of inland trade by the Company's servants and their agents, were all causing an enormous loss of revenue to the Nawab. After the grant of the *Dewani*, Najm-ud-Dowla was granted an allowance of Rs. 53,86,000 per annum. By the year 1770, the Nawab's allowance was fixed at 32 lakhs and in January 1772, it was further reduced to 16 lacks. This reduction of allowance affected many Muhammadans and up-country Hindus who used to find employment in the Nawab's court. The monopoly of inland trade by the Company's servants and their *gomastahs*, the oppression on manufacturers, and the excessive demand of land revenue were also causing unemployment among traders, manufacturers, landlords and tenants. Such widespread unemployment affected materially the economic life of the people and was partly responsible for the rapid increase of lawlessness in the country. Bands of unemployed soldiers, the armed retainers and *lathials* of the *zamindars*, even many *Zamindars* themselves took to robbery, though the greater part of the robbers were "robbers by profession and even by birth." This unhappy state of things continued for many years.

Increase of dacoits.

Daring robberies were committed all over the country, including even the suburbs of Calcutta. But the facilities for escape offered by the numerous rivers and jungles of Jessore and Bakarganj made them the favourite haunts of intrepid dacoits, who were bold enough to attack even Englishmen and the Company's sepoys. As early as 1764, we find that an Englishman, Mr. Rose was murdered by dacoits near Bakarganj. After the great famine of 1770, robberies by organised gangs increased rapidly.[52] "A set of lawless banditti," wrote the Council in 1773, "known under the name of Sunnasses or Faquirs have long infested these countries; and, under the pretence of religious pilgrimages, have been accustomed to traverse the chief part of Bengal, begging, stealing and plundering, wherever they go and as it best suits their convenience to practise." In December 1772, the Collector of Rungpur received the information that a large body of these men had come into his district and were plundering and ravaging the villages. He immediately sent Captain Thomas with a party of sepoys to attack them. But the sepoys "were at length totally defeated and Captain

52For an account of the depredation of robbers in the district of Rangpur during the famine of 1770, see the letter of the Supervisor of the district to the Resident at the Durbar, dated April 20, 1770, in Firminger's *Rangpur District Records* (1770-1779) Vol. I, p. v.

Thomas with almost the whole party, cut off." Though Hastings was successful in restoring internal order to some extent, robbery continued to flourish for more than half a century in Bengal.[53]

Causes and effects of increased dacoities.

The increase of dacoits, though partly due to wide-spread unemployment arose chiefly on account of the break-down of the indigenous law courts and the general collapse of civil and criminal administration. Ae Gleig writes, "There was no such thing as justice or law or adequate protection to person or property any where in Bengal, Bahar and Orissa except in Calcutta. The ancient courts had lost their influence and the native magistrates were

[53]Westland, in his *Report on the District of Jessore,* mentions many instances of daring robberies committed during the last quarter of the eighteenth century. (Westland's *Jessore,* pp. 77-79.) For other instances, see Beveridge's *Bakarganj* pp. 308-310; Seton-Karr's *Selections from the Calcutta Gazette,* Vol. I, pp. 269-270, 272-273. Busteed writes in his *Echoes from Old Calcutta* (4th edition, pp. 164-165) as follows:—"In the times of Hastings and Francis, and for a long time after, dacoity and high way robbery close to the seat of Government were crimes exceedingly prevalent. This, for instance, was the state of things within a mile of the Supreme Court, as described in the Calcutta papers of 1788: 'The native inhabitants on the roads leading to the Boitakhana tree are in such general alarm of dacoits that from eight or nine o'clock at night they begin to fire off matchlock guns till daybreak at intervals. . . . . The dacoits parade openly on the different roads about Calcutta in parties of twenty, thirty or forty at so early an hour as eight p.m.' " If such was the insecurity of life and property in the metropolis, the extent of lawlessness in the mofussil may be easily imagined.

destitute of authority."[54] The result of the depredations of the robbers was that many fine places in Bengal were desolated, industry and trade decayed, and cultivation declined. Thus anarchy and disorder were at once the causes and the effects of the economic distress of the people.

Great famine of 1770.

To fill the cup of misery of the people of Bengal, there broke out in 1770, a famine of unusual severity. This famine was directly due to the failure of the December harvest of 1769 and to the partial failure of crops in the preceding year, yet it appears incredible that within nine months, this famine swept away ten millions of human beings, causing a loss of at least one-third[55] of the inhabitants of the province. Throughout the summer of 1770, the people went on dying in great numbers. They "sold their sons and daughters, till at length no buyer of children could be found; they ate the leaves of trees and the grass of the field; and in June 1770, the Resident at the Durbar affirmed that the living were feeding on the dead"!

54Gleig—*Memoir of Warren Hastings*, Vol. I, p. 147.

55This was the estimate made by the Council in November 1772. In the *Report of the Famine Commission of 1880* this estimate is described as a "vague approximation" but it is admitted there that "the mortality was extremely great . . . and its effects were visible many years afterwards in the lowered revenues, the immense untilled area and the competition that arose among landlords to induce the cultivators to settle on their estates."

Inadequate relief measures.

Want of good means of communication made a comprehensive famine relief scheme difficult. But the relief measures adopted were quite ineffective and insufficient. A proclamation was issued against "hoarding and buying up grain"[56] and reliance was placed on the policy of embargoes on export and on the removal of duties on import. No relief works were opened. The relief granted in the form of general charity was sadly inadequate. To quote only one instance, a provincial council sanctioned a grant of five rupees worth of rice every day among a starving population of four hundred thousand souls. Sir William Hunter estimates that not more than £9000 was spent by the Company on famine relief among the total population of the province. The importation of corn proved also quite insufficient. As no adequate store of grain had been kept before the outbreak of the famine, the Company was compelled to move its army from one famine-stricken district to another, causing further hardship on the people.

56 But Becher and Mahomed Reza Khan accused the *gomastahs* of the Company's servants "not merely for monopolizing grain, but for compelling the poor ryots to sell even the seed requisite for the next harvest." Though the Court of Directors wrote one indignant letter after another, demanding the names of the culprits, no satisfactory enquiry was ever made. The suspicion of the Court of Directors that the actual culprits were "persons of some rank in the Company's service", influential enough to prevent any enquiry seems correct.

Rigorous collection of land revenue.

On the top of all this, the land revenue was more rigorously collected than ever before, from an already impoverished people. The net collection of revenue in 1770-1771, during the first six months of which year the famine was in its most acute stage, exceeded the collection of the previous year by more than $2\frac{1}{4}$ lacs of rupees. During the next year it was 13 lacs more.[57] This was mainly due to the heavy imposition of the *najái*[58] tax on the

57The following abstract of the net revenue (in rupees) received from the Company's ceded and *Dewani* lands of Bengal and Behar, as given by Warren Hastings, is quoted in Forrest's *Selections*, Vol. II, p. 23 :—

Bengali Year	Ceded lands (1)	Dewany lands of Bengal (2)	Total for Bengal (1) and (2)	Behar	Total for Bengal & Behar
1175 or 1768-69	56,64,795	158,73,453	215,38,248	50,60,817	265,99,065
1176 or 1769-70	48,91,546	143,41,168	192,32,714	41,12,133	233,44,847
1177 or 1770-71	54,55,834	140,06,030	194,61,864	46,22,695	240,84,559
1178 or 1771-72	58,18,021	150,23,260	208,41,281	46,70,788	255,12,069
1179 or 1772-73	57,75,093	121,83,631	179,58,724	43,19,632	222,78,356
1180 or 1773-74	55,18,040	134,48,354	189,66,394	41,10,021	233,76,415

58"The Resident cultivators were jointly and severally responsible for the whole revenue from the lands of the village commune, and those who remained were therefore liable for the rents of those who deserted their holdings. Under the Muhammadans this joint responsibility had formed a regular part of the village revenue system, and was enforced by an extra cess called Najái"—Hunter—*Bengal Ms. Records*, Vol. I, p. 54.

existing cultivators to make up for the rents due from their neighbours who were either dead or had fled from the country. The effect of this tax was to cause the few remaining ryots in the already depopulated villages to take to flight rather than face the extortion.

Economic effects of the famine.

The ravages of famine and unwise government measures brought Bengal on the verge of economic bankruptcy. About "thirty-five per cent. of her whole population and fifty per cent. of her cultivators had perished." Villages which were once very flourishing, were fast being turned into jungles. "In 1771 more than one-third of the cultivable land was returned as deserted in the public accounts and in 1776 the entries in this column exceeded one-half of the whole tillage." Even two decades after this famine, Cornwallis declared one-third of the Company's possessions in Bengal to be "a jungle inhabited only by wild beasts." The havoc caused by the famine did not stop here. Many other economic evils from which Bengal had suffered during the first fourteen years of British rule were very much aggravated. To give only one instance, the languishing cotton industry received a terrible blow as a result of the death of a large number of skilled weavers. Even in Europe, where manual dexterity merely supplements the work of machinery, there was a noticeable decline in the level of industrial skill in the

period immediately following the last War. The consequences of the great calamity of 1770 on the handicrafts of Bengal must have been far more serious. Not only did agriculture and manufacture dwindle, but trade also declined, partly as a result of an outbreak of anarchy and disorder, at once violent and widespread. But there was one silver lining to the black cloud that hung over Bengal. The famine ultimately proved to be a blessing in disguise to the surviving *ryots*. Before its outbreak, they were at the mercy of the landlords. But after the famine, there was more land than *ryots*, and each landlord began to attract the *ryots* of his neighbours, by offering lower rents.[59] Though the position of the tenants thus improved to some extent, that of the landlords changed for the worse. Burdened with the heavy demand of land-revenue, the old aristocracy of Bengal was faced with impending ruin. To quote a glaring instance, "the Maharajah of Burdwan.........died miserably towards the end of the famine, leaving a treasury so empty that the heir had to melt down the family plate, and when this was exhausted, to beg a loan from the Government, in order to perform his father's obsequies."[60] The economic distress of the old aristocratic houses

59Compare the conditions in England after the Black Death, 1348-49, when the Lords of the Manors began to entice labour from neighbouring Manors by offering better conditions of work.

60Hunter—*Annals*, p. 57.

of Nadia, Natore, Birbhum and Bishnupur dates also from this period.

Power without responsibility.

The tragic events of 1770 were, as it were, Nature's protest against a system of government in which power had been divorced from responsibility. The Court of Directors themselves were alarmed and resolved to "throw off the mask." In a proclamation issued on May 11, 1772, the Company declared that it would "stand forth as *Dewan*," both in name and in fact. It would have been better for Bengal if the Company had assumed responsible political power just after the defeat of Siraj-ud-Dowla, instead of following the policy, of setting up titular Nawabs. It would have been far more desirable economically, if the Company in addition to the assumption of responsible political power, had given up its commercial functions altogether. Bengal would in that case have escaped a considerable part of her misery, which was due to the mixing up of the functions of a trader for private gain with those of a sovereign for protecting the people. But neither of these courses was adopted and the result was that anarchy and misrule, monopoly and coercion, for fifteen long years sapped the economic life of the people.

CHAPTER III.

THE ECONOMIC REFORMS OF HASTINGS 1772-1785.

Company's financial difficulty.

The great famine of 1770 increased considerably the financial difficulty of the English East India Company. Ever since the grant of the *Dewani*, Bengal "seems to have been the milch cow from which the other Presidencies drew their support." The revenue of Bengal furnished the funds for the Company's "investment" not only from Bengal but also from other British settlements in India and from China. Bengal supplied also a considerable portion of the money for meeting the territorial expenditure of the Presidencies of Madras and Bombay. But this drain of wealth from Bengal was not compensated for by any increased prosperity of her trade and industries, which on the contrary received a severe blow during the period 1757-1772. No attempt was also made to reduce the Company's expenditure either in India or in England. The costly war with Hyder Ali[1] in Southern India and the rapid growth of military expenditure drained

1 The first Mysore War, 1767-1769.

heavily the Company's resources. In England, the Company had to provide larger dividends to the proprietors of the East India Stock and to pay annually £400,000 to the British Government. At last in 1772 the Company was faced with a heavy deficit,[2] and the bond debt of Bengal at the beginning of that year rose to upwards of £1,700,000. During the same year, the Company became financially much embarrassed also in England and was compelled not only to borrow large sums from the Bank of England but also to appeal to the British public for a loan. The Court of Directors were alarmed. They resolved to assume independent power and to abolish the dual system of government, the efficiency of which they had for some time been doubting. Warren Hastings who had already distinguished himself as an able administrator in Madras was accordingly appointed the Governor of Bengal.

2 Gleig writes :—"The annual income of the provinces (Bengal, Bihar and Orissa) thus collected amounted in 1772 to £2,373,650. The annual disbursements at the same period came up to £1,705,279, leaving a surplus expenditure of £688,371 to be applied to the purchase of investments, the supply of foreign settlements, the interest of the public debt and the gradual liquidation of its principal. But so entirely inadequate was this surplus to the drains that were made upon it, that the investments alone required not less a sum than £634,000. Under such circumstances, the embarrassment of the presidency could not fail of becoming continually oppressive. In 1772, the debts of every denomination stood at the amount of £1,783,000. In the month of April 1773 they had increased, with the credit of the Government exhausted, to £2,168,691."—*Memoirs of Warren Hastings*, Vol. I, p. 211.

Financial deficit checked.

The immediate problem that faced Warren Hastings was to check the financial deficit and to make Bengal administration pay. A few months before his arrival, the Nawab's allowance had been reduced to one half. Hastings stopped the tribute to the Emperor, and sold the provinces of Corah and Allahabad (which had been handed over to the Emperor by Clive in 1765) to the Vizier of Oudh for fifty lacs of rupees. The reduction of the Nawab's stipend, the suspension of the Emperor's tribute and the stoppage of the allowances of Muhammad Reza Khan and Shitab Roy caused an annual saving of fiftyseven lacs of rupees. The assistance to the Vizier of Oudh in carrying on the Rohilla War secured for the Company another forty lacs of rupees. These measures removed within a few years the Company's financial embarrassment. Thus in 1776, not only was the bonded debt in Bengal paid off, "but there was a surplus of cash in the treasury amounting to a crore and a half of rupees, out of which an investment was provided for all the tonnage that could be procured."

Internal order restored.

While Hastings was thus bringing about pecuniary relief to the Company, he did also at the same time lay the foundation of a sound financial system, by restoring internal order and by carrying out a series

of administrative reforms. We have already seen how the breakdown of the native administration and wide-spread unemployment in the country led to an alarming increase of dacoits during the period 1757-1772. To stop this evil, Hastings introduced severe measures for the suppression of the dacoits. The 35th Article of the Judicial Regulations of 1772, which embodies these measures, runs as follows:—"That whereas the peace of this country hath, for some years, been greatly disturbed by bands of dacoits who not only infest the high roads, but often plunder whole villages, burning the houses and murdering the inhabitants, and whereas these abandoned outlaws have hitherto found means to elude every attempt, which the vigilance of government has put in force, for detecting and bringing such atrocious criminals to justice, by the secrecy of their haunts, and the wild state of the districts which are most subject to their incursions; it becomes the indisapensable duty of government to try the most rigorous means, since experience has proved every lenient and ordinary remedy to be ineffectual. That it be therefore resolved, that every such criminal, on conviction, shall be carried to the village to which he belongs, and be there executed, for a terror and example to others; and for the further prevention of such abominable practices, the village of which he is an inhabitant, shall be fined and the family of the criminal

shall become the slaves of the state."[3] But even these rigorous measures were only partially successful, for we find that dacoity and highway robbery even in the environs of Calcutta remained exceedingly prevalent for a long time after the arrival of Hastings in Bengal. On April 9, 1774, he introduced a new police system consisting of *foujdars* and *thanadars*, but as it did not produce any good results, (the *thanadars* being often in league with the dacoits) it was abolished and the power of *foujdars* and *thanadars* was vested in the judges of the Civil Courts. Hastings was however more successful in freeing Bengal from the repeated disturbances caused by bands of *Sannyasis* or wandering *fakirs*, who after some hard fighting were driven across the borders of the country. He also stopped the incursions of the Bhutias, expelled them from Cooch Behar and compelled them to sign a treaty on April 25, 1774. To secure the country against irruptions, Hastings stationed brigade *sepoys* on the frontiers.

Monetary reforms.

Internal peace having thus been tolerably established, Hastings began a series of economic reforms. The most crying evil which engaged his immediate attention was the confused state of currency in Bengal. The establishment of a satisfactory monetary system and its maintenance in a proper condi-

[3] *Harrington*, Vol. I, pp. 345-6.

tion are difficult, even in a country with a settled form of government. The conditions in Bengal at that time made that task still more arduous. But the need was paramount, alike to the people and to the trading corporation which had now become the ruling authority of the country. The people though mainly agricultural, had outgrown the stage of barter. Bengal was then far more industrially developed than the countries of Europe. Her trade and commerce were considerable in volume. To such a people, the unsound and chaotic state of currency was obviously a national evil of the greatest magnitude, affecting all aspects of their economic life. Elaborate measures were therefore undertaken by the Company by way of remedy. These will be examined here in some detail; for, it seems that some of the problems that baffled the early British administrators in this country remain unsolved even to the present day. A full knowledge of the situation that had arisen is essential to a proper understanding of the importance and intricacy of the problems.

Diversity of currency: its causes.

When the British first came into power, there were four mints in Bengal and Behar—at Calcutta,[4] Murshidabad, Dacca and Patna. The rupees coined in these

[4] The Company established a mint in Calcutta in 1757, and the first rupee was struck there on the 29th of August of that year.

mints had not the same value in the market.[5] Even the rupees issued from the same mint in different years did not, as has been stated before, exchange at par. This was due to the imposition of a discount or *batta* on coins, depending upon the period of their use. This discount was charged by the *shroffs* even on old coins *which had not deteriorated at all.* One hundred Murshidabad *siccas* fresh from the mint were equivalent to 116 current[6] rupees. But after they had been in circula-

5 This was due to (*i*) the difference in the inscription on the coins of these mints, apart from any disparity in weight and fineness, and (*ii*) the difference in the quantity of fine silver in the coins. It appears from an Extract from the Mint Books of Calcutta dated March 3, 1760, that the Murshidabad and Calcutta *siccas* of the time were of the same fineness but weighed 179·65 and 179·80 grains (troy) respectively. The quantities of fine silver in the Patna and Dacca *siccas* of the time are not known. But from the proposal of Muhammad Reza Khan, recorded in O.C. 2 (a) of December 24, 1767, that the newly coined rupees of the four mints should be of one standard in weight and fineness, it is clear that the *siccas* of the different mints must have been of different standard in weight or in fineness or in both. A letter from Alexander Campbell, Assay Master in Calcutta, dated December 24, 1767, however shows that the Murshidabad and Calcutta *siccas* were exactly of the same standard in weight and fineness at the time. But it is written in O.C. 2 (b) of April 12, 1770, "Dacca 10 *sun* siccas marked with a crescent are of the same weight as the siccas of Moorshidabad, Calcutta and Patna, but have two more *beringe* (?) of alloy in them, the reason of which shall be enquired into." Even as late as 1775, we find Francis complaining in his minute of March 13 of that year that "the real standard, even of the Company's coin is only adhered to in Calcutta. The Patna and Dacca siccas . . . . . seem to vary at random from the established standard, but always considerably for the worse."

6 Current or *chalani* rupee was not a coin but the money of account.

tion for one year, their value diminished by about 3 per cent., and after two years by about 5 per cent. Thus 100 sicca rupees which had been coined two years ago were considered equal to 111 current rupees in value, and were then called *sonaut*[7] rupees. In other words, *siccas* and *sonauts* were new and old coins of the same species. In addition to the coins from the four mints of the province, rupees struck in other parts of India, with varying weight and fineness and in different stages of debasement were, as has been stated in the last Chapter, imported into Bengal by way of trade and entered into circulation there.

Species of rupees circulating in 1770.

Gradually different species of rupees became the established currency in different parts of the province. It appears from O.C. 3 (b) of April 12,1770, that the *sicca* rupee was then current in the districts of Nadia and Hughly, whereas in Birbhoom, Malda and Futty Sing (a pergana of Murshidabad), the Murshidabad *sonaut* was in circulation. Patna *sonauts* circulated at the time in the district of Purnea, while French *arcots*[8]

7 The word is properly *sanwat*, plural of Arabic *san (t)*, a year —*Hobson-Jobson*, p. 775, footnote.

8 The *arcot* rupee was originally struck by the Nawab of Arcot in the Madras Presidency. By 1740, the English, the French and the Dutch had secured the privilege of coining this rupee (see Dodwell's *Article in the Indian Journal of Economics*, January 1921). The rupees coined by these three European nations came to be known as English, French and Dutch *arcots*. The English coined them at first at Madras, and after the battle of Plassey

were current in Barbezu (which formed the greater part of the present district of Mymensing) and in Rangpur. In this latter district, land revenue was however collected in the *Narayani* rupees of Cooch Behar. French and English *arcots* circulated in the districts of Dacca and Tipperah, though in the city of Dacca itself its own *siccas* were current. In Patchete, described by Grant in his *Analysis* (*Fifth Report*) "as the most westerly zamindary of Bengal," Benares rupees and the rupees of the Nawab of Oudh called *vizieries* were in circulation. In many districts more than one kind of rupees was current at the same time, and what is strange, the use of each kind seems to have been confined to the purchase and sale of a particular commodity or group of commodities. Thus in Dinajpur, *sonauts* of different years were employed in the rice and grain trade, English and French *arcots* in the purchase of ghee, oil and jaggery, and the latter alone in buying hemp and gunnies. In *Ghoraghat*,[9] *siccas* were used for rice and grain, Murshidabad *sonauts* for sugar and jaggery, and French

also at Dacca and Calcutta. They varied in weight from 171 to 177 grains (troy) and contained from 160 to 170 grains of pure silver. It appears from O.C. 6 of April 16, 1788 that the coinage of the *arcot* rupee was stopped in Bengal about the year 1774, though it continued to circulate in the districts of Dacca and Chittagong till the end of the administration of Cornwallis.

9 Formerly a district in North Bengal. The town of Ghoraghat, now in ruins is included in the present Dinajpur district.

arcots for cloth, salt and betelnut. In the district of Jessore, trade in rice and other grains, as also in betelnut, sugar, jaggery, *chunam* (lime) and cocoanut was carried on in *siccas*, but purchases of cloth, ghee, oil, long pepper and turmeric were done in Murshidabad *sonauts*, whereas French *arcots* were used in the salt trade. In Attya,[10] French *arcots* were in use in the trade in grain, ghee and oil, but in the cloth trade English *arcots* were employed. In Chandelhey,[11] siccas were used for grain, bamboo, ghee, oil, jaggery and sugar, and *dusmasha*[12] rupees for cloth, brass and other metals. Old *dusmashas* were in use also in Bishnupur in the trade in oil, ghee, brass and other metals. But *sonauts* were used there in buying and selling grain, tobacco and jaggery, while in the cloth trade the *arcot* rupee was current. Such was the bewildering state of currency when Hastings assumed the rein of affairs in Bengal. It is needless to say that this multiplicity of coins, most of them in different stages of debasement, caused extreme hardship to the people. It also subjected the government to great inconvenience and often

10 A subdivision, north of Dacca, in Rennell's Atlas.

11 Portions of the present districts of Malda and Rajshahi. In Rennell's Atlas it is shown as a subdivision of Bettoria, north of Godagari.

12 The value of the *dusmasha* rupee cannot be definitely ascertained. Literally it means ten *mashas* or about 150 grains (troy) in weight. It appears from O.C. 8, August 7 and O.C. 11, August 21, 1772 that it was equivalent to 11/10 current rupees.

to heavy loss in providing money for "investment" in the several *aurungs*.

Attempt to stop the discount on *siccas*.

The Court of Directors were therefore naturally anxious to introduce a stable and uniform currency. The *sicca* rupee of Murshidabad had been *in theory* the standard coin of Bengal before the battle of Plassey. The Court directed that all the different varieties of rupees circulating in the province should be reduced to the *sicca* standard, by a general recoinage and by stopping the annual discount on *sicca*.[13] With this end in view, a clause was inserted in the treaty with Najm-ud-Dowla dated February 20, 1765, by which the Nawab agreed "in concert with the Governor and Council" to devise the best method for abolishing the *batta* on *siccas*.

13 Holland had to face similar currency difficulty at the beginning of the seventeenth century. The diverse currency of the Dutch provinces and cities and the great variety of coins brought from different parts of the world, circulated in that country. The Netherlands riksdaler was the standard coin but a considerable part of the specie in circulation, even of the riksdaler, was "below its legal weight, either from wear, ill usage or irregularity in coinage." The result was that coins of full weight began to disappear and when they circulated at all, they commanded a premium in terms of light coins. As in Bengal, the blame was put on the shoulders of the dealers in specie. At last a remedy was found by starting the Bank of Amsterdam in 1609. The Bank introduced a system of payments by transfers from deposits valued in money of full weight and thus supplied the merchants with a stable currency. A similar remedy could not be adopted in Bengal, for the transactions there were not localised in Calcutta.

Mint Master's objections.

Alexander Campbell, Mint Master in Calcutta, opposed this scheme of currency reform. In his letter dated July 14, 1765 to the Select Committee, he said that "the Hon'ble Company's orders" were impracticable. It would, he said, only bring distress to the *shroffs* and lead to debasement of currency. But his arguments did not carry conviction with the Court of Directors. They admitted[14] that their proposal would cause "a temporary inconvenience from the distress it would bring on the *shroffs*," but it would not "occasion more frauds in debasing or false coining of rupees." Accordingly they asked the Bengal Government to reconsider the matter. On December 24, 1767, Campbell again discussed the question, repeating the arguments of his previous letter. In support of his views, he quoted the opinion of Muhammad Reza Khan,[15] who also opposed the proposals on identical grounds. Campbell further pointed out that the *shroffs* would defeat the measure by purchasing new *siccas* and would thus cause an artificial scarcity of such coins. The abolition of *batta* would, on the other hand, subject the Company to a heavy loss; for, the mint charges hitherto paid by the public through recoinage would

[14] In their letter of November 21, 1766, quoted in O.C. 1, October 22, 1767.

[15] O.C. 2 (a) of December 24, 1767.

have to be met from the Government Treasury. There was besides the probable danger to the Company's "investment." The weavers and other manufacturers in the different parts of the province were not accustomed to receive their advances in *siccas* and they might refuse to accept the proposed new rupee. "I am of opinion," concluded Campbell, "that we should use our utmost endeavour to establish the circulation of gold already coined, not only as conducive to the purpose of abolishing the *batta* on rupees but necessary to a more important one, that of preventing a scarcity of money."

Action of the Bengal Government.

The Governor and the members of the Committee agreed with Campbell as to the impracticability of general recoinage and the abolition of the annual discount.[16] They gave effect to Campbell's suggestion by introducing gold coinage in 1769.[17] Muhammad Reza Khan's proposal to reduce the *siccas* of the four mints in the province to the same standard in weight and fineness, appeared to them to be a step in the right direction, and they agreed "to recommend to the Government[18] the putting this into execu-

16 O.C.A. of December 24, 1767.

17 For the causes leading to the adoption of bimetallism in Bengal in 1766 and in 1769 and its economic consequences, see Chapter II, p. 56 *et seq. ante.*

18 *i.e.*, to the Nawab.

tion on the issuing of the sicca rupees for the next year."

Reply of the Court of Directors.

But the Court of Directors still remained unconvinced. In their letter of November 11, 1768, they remarked that instead of answering the question whether the distinction between *sonauts* and *siccas* could be abolished, Muhammad Reza Khan had simply proposed that the *siccas* of the several mints should be of the same standard. "Mr. Campbell indeed says," they remarked in the same letter, "the abolishing the yearly fall will be either impracticable or productive of a contrary effect and gives reason that shroffs would purchase new *siccas* and so create an artificial scarcity. But with what are the *siccas* to be purchased, when difference between *sonauts* and *siccas* is abolished?" The Court of Directors further observed that the Bengal Government should not have yielded to "such weak arguments of Mr. Campbell," and ordered that the *batta* on *sonauts*, in other words, the distinction between *siccas* and *sonauts* should be abolished. In their letter of April 10, 1771 the Court reiterated their previous orders for abolishing the *batta* on *sonauts*.

Reg. of 1771.

The following notice was accordingly issued by the order of the President and Council, Fort William, on August 26, 1771:—

"This is to give notice to all merchants and others residing under the Honorable Company's protection at this settlement that they have ordered sicca rupees of the twelfth year of his present Majesty Shah Allum's reign to be struck in the Honorable Company's mint and pass current at sixteen per cent. batta on the twelfth day of September next ensuing; and they likewise give public notice that this coinage of the twelfth *sun* siccas shall not cause the eleven *sun* siccas to fall in their value, but that the eleven *sun* siccas shall pass on the same footing as they have heretofore done, that is to say at the *batta* of sixteen per cent.; and whenever new siccas of any future year shall be issued, the siccas of the former years as far back as the eleven *sun* shall not fall in their value or be reduced to the state of *sonauts*, but they shall be considered and pass in payment at the same value as the siccas of the current year."

Objects of the Regulation: its chief defects.

The object of this Regulation was to stabilise the *sicca* and to convert the entire currency system gradually to that standard. The *siccas* struck in 1770 and after, were all to pass as *siccas* of the current year, that is, as equivalent to 116 current rupees. The measure was thus

a step towards uniformity of currency and the abolition of the distinction between *siccas* and *sonauts*. But strangely enough, it was disapproved of by the Court of Directors, apprehending an "alarming" loss of revenue. "The evil of this Regulation," remarked the Court in their letter of March 30, 1774, "is not confined to the troops only. . . . The rents are ascertained in sicca rupees, but the amount of the revenues paid specifically in that coin, will be nearly 13 lacks per annum less than if paid in sonaut rupees." The real defect of the measure lay in allowing *sonauts* which might have lost a part of their bullion content through wear and tear, to circulate at the same value as the newly coined rupees. If steps had been taken to recoin *sonaut* rupees, which were not of the *sicca* standard in weight, and to mark all future *sicca* rupees with one invariable date, the Regulation of 1771 would have facilitated the gradual change of the whole currency into *siccas*.[19]

Closing of Dacca and Patna mints.

Thus before Hastings came to Bengal as Governor, little had been accomplished towards uniformity of currency. It was apparent to him that the first step in currency reforms was to maintain strictly

[19] One effect of the Regulation of 1771, as Francis writes in his minute of October 30, 1775, was to reduce the number of *sonaut* rupees in circulation. But this change was merely nominal. By the orders of 1771, the *siccas* from eleventh *sun* onwards after three years of circulation could no longer be *called*

a uniform standard in weight and fineness for the *sicca* rupees of the four mints in the province. Repeated attempts had been made before in this direction, but without any success. Only a few months before the arrival of Hastings, a letter had been sent to the Chief and Council at Patna requesting them to issue strict orders for maintaining the standard and purity of the coinage.[20] In those days, however, it was difficult to keep to the same standard for coins issued from different mints. Of the four mints at Patna, Dacca, Murshidabad and Calcutta, Hastings therefore closed the first two within a year and a half of his arrival.[21] But as subsequent

sonauts. But they did not *in fact* circulate at the same value as the *siccas* of the current year. Thus, in place of the old distinction between *sonauts* and *siccas,* the Regulation only introduced a new distinction between *siccas* of earlier and later years.

20 O.C.N. February 26, 1772.

21 Thurston in his *Note on the History of the East India Company's* Coinage from 1753 to 1835, J.A.S.B., 1893 writes, "the mints at Dacca, Patna and Murshidabad were withdrawn from 1772." The Mint Committee of 1792 in its letter dated August 4, 1792, also writes that "in 1773 the Patna, Dacca and Moorshidabad Mints were abolished." But as a matter of fact, *all* the three mints were not closed either in 1772 or in 1773. In a letter dated May 7, 1772 the Chief and Council at Patna intimated that the mint of that city had been closed. (O.C.B. May 18, 1772). It appears also from O.C. 4 of May 4 and O.C. 7 of May 22, 1775 that both the Dacca and Patna mints were closed at the time. But it is clear from O.C. 4 of October 28 and O.C. 6 of December 6, 1773 that coining was then going on at the Murshidabad mint. C. Keating, the Superintendent of the Murshidabad mint, also wrote on May 1, 1777 that in obedience to the orders of the Governor General and Council of the 7th April of that year, "the coinage of gold mohurs was immediately discontinued. The coinage of rupees was continued up to the 30th ultimo." It is not

events show, uniformity of standard would have been ensured much better by keeping these mints open after placing all of them under the management of one person.

The 19th *sun sicca*.

During the next few years, Hastings does not seem to have ventured on any important change in the monetary system of the province. We have already seen that the value of the *sicca* rupee varied with the date of its coinage, irrespective of its bullion content.[22] To obviate this evil, Hastings adopted the ingenious practice of putting the invariable date of the 19th *sun* on all *sicca* rupees coined in future. It is stated by the Mint Committee of 1792[23] that this was done in 1773. It appears however that the measure was introduced not in 1773 but in 1778. No paper relating to this important measure could be traced among the Public Department Records of 1773 in the Imperial Record Office. Nor is there any mention of it in Colebrooke's *Digest of Bengal Regulations*. The year 1773 again could not possibly be the 19th year of the

clear whether the coinage at Murshidabad after 1773 was solely on Government account. In any case, it is certain that Hastings's plan for a single mint for Bengal became an accomplished fact not in 1773 but after the 30th of April 1777. A reference was made by the writer to Sir William Foster of the India Office, who kindly wrote in reply, "It is true that the Dacca and Patna mints were closed in October 1773, but the one at Murshidabad was not abolished until April, 1777."

22 See page 112, *ante*.

23 O.C. 24, August 13, 1792

reign of Shah Alum. His father Emperor Alamgir II was assassinated on November 28, 1759. The 19th year of Shah Alum's reign could not therefore begin before 1778. Harrington suggested that there was probably a mistake about the date 1773.[24] In spite of this, all subsequent writers have repeated the erroneous date given by the Mint Committee. It may be argued that though the year 1778 was the nineteenth year of Shah Alum's reign, rupees bearing the 19th *sun* might have been coined as early as 1773. But this is definitely negatived by a letter of the Chief and Provincial Council at Murshidabad, dated September 4, 1776, in which they described the 15th *sun* rupee as the latest coin then in circulation.[25] A reference was made regarding this matter to Sir William Foster of the India Office, who kindly searched the India Office Records for the year 1773, but did not come across any orders of the kind referred to by the Mint Committee. Mr. Allan, the well-known expert on Indian coins, has, at the instance of the present writer, examined the set of coins (probably a complete set) in the British Museum. He writes that there is no *sicca* of the 19th *sun* before 1778 and that all the *siccas* coined from 1778 to 1791, though marked 19th *sun*, bear the correct *Hijra* date. He further remarks that *siccas* of the 15th *sun*, *i.e.*, the year

24 *Analysis of Bengal Regulations,* Vol. II, p. 609 footnote.
25 P.P., April

1773 (A. H. 1187) in the British Museum bear the *Hijra* dates 1187, 1188, 1189 and 1190. This shows that an attempt was actually made in 1773 to put the invariable date of the 15th and not of the 19th *sun* on the *sicca* rupee. It is probable that the Mint Committee confused the measure of 1773 with that of 1778. Hastings was no doubt the author of this clever device of putting the same regnal year on *siccas* of different years, for the purpose of out-witting the *shroffs*. He did not however realise that the insertion of the correct *Hijra* date indicated the year in which a particular rupee was actually struck and thus defeated the very object of putting the same regnal year. It was not until 1792 that the *Hijra* date was dropped on the 19th *sun* rupee at the suggestion of the Mint Committee.[26]

Letter from Court of Directors.

There was a fresh impetus to currency reform when the Court of Directors in their letter of March 30, 1774, observed that 'there is no object before us which more immediately claims our attention than the state of coinage and currency in Bengal.' They sent with that letter a treatise by Sir James Steuart[27] for the guidance of the Company's servants in their schemes of currency reform.

26 I. O. Cons. Vol. LI., p. 352.

27 This treatise to which repeated reference have been made in Chapter II was *The Principles of Money Applied to the Present*

Sir James Stuart's opinion.

In this book, Sir James Steuart pointed out that the two successive attempts at bimetallism in Bengal in 1766 and 1769 had failed on account of the over-valuation of gold. He clearly stated that bimetallism could succeed only if the ratio between gold and silver was frequently adjusted to keep it "exactly in proportion to their value as metals." It was better in his opinion to have a mixed standard, with coins of both metals "in the same mass" instead of ordinary bimetallism. He was therefore one of the earliest economists to suggest a scheme like symmetallism. "Were mankind all philosophers," he explained, "I should propose to mix the gold and silver together in the same mass, according to the market proportions of the metals and to make the coin out of this mixture. I am not so extravagant as to propose so great an innovation. I throw it out merely as a hint." The remedy he actually proposed was the introduction of paper money. A great banking institution, like the Bank of England, with branches in

State of the Coin of Bengal, written, as stated in its very first page 'for the use of the Honourable the East India Company' and printed in 1772. Adam Smith was then writing his *Wealth of Nations* which was published four years later. The reason why Adam Smith was not consulted about the currency difficulty in Bengal is that his ability as an economist was not yet widely known, while Sir James Steuart's reputation had already been established. His *Inquiry into the Principles of Political Economy* had appeared in 1767.

different districts, was to be started. It was to be "regulated by the Company" but it was to remain a private institution, "for the principle upon which this branch of credit is grounded is totally incompatible with sovereign power." The bank was to issue notes and discount bills. The scheme was then regarded as far in advance of the time.

Minute of Francis.

The first fruit of Sir James Steuart's advice and of the despatch from the Court of Directors, was the masterly minute of March 13, 1775 by Francis, in which he laid down *three* important principles:

1. "That there should be but one of precious metals coined as legal tender and that this coin should be silver. Every other species of coin should be regarded as bullion.

2. "That the disproportion between the nominal and intrinsic value of the new coin should be no more than sufficient to answer two purposes, *viz.*, to pay the expence (sic) of coinage and to make the coin hard enough for current use.

3. "That there should be but one mint.

In enunciating the first two principles, Francis was following closely the opinion of Sir James Steuart, who had condemned not only bimetallism but also the raising of the face value of a coin above its bullion value. In fact in stating the second principle, Francis quoted a passage from Sir James Steuart's

book. The third principle was obviously suggested by the difference in weight and fineness of the *siccas* of the four mints. Hastings had already acted according to this principle by closing the mints at Dacca and Patna.

His proposals.

On the basis of the above principles, Francis made the following proposals for currency reform:

(i) "A new rupee be struck called a Calcutta rupee, bearing on one side the titles of the Emperor Shaw Allum . . . and on the reverse the words Calcutta rupee with the year of the Christian era.

(ii) "That this new rupee be coined of the standard of England.

(iii) "That the weight of this rupee be the same with that of the *sicca*, *viz*., 7 dwt. 11$\frac{2}{3}$ grs.

(iv) "That a *batta* of ten per cent. be fixed on the Calcutta rupee, until a sufficient number of them be coined to answer the purposes of circulation when it may be expected that the ideas of *battas* may in a short time be entirely obliterated by making this one species of rupees the only legal tender.

(v) "That the *siccas* of the 12 and 11 *sun* be allowed to circulate as legal money at a certain *batta* and that, after the expiration of twelve months from that time, all rupees whatsoever (except the new coin) be indiscriminately considered as bullion and only bought and sold as merchandise.

(vi) "That after the above term of twelve months, all receipts and payments be made in Calcutta rupees . . . that the new rupee be made the only money of account.

(vii) "That an allowance of $2\frac{1}{2}$ per cent. on silver and 1 per cent. on gold be made for the charges of coinage and the recoinage of all bullion . . . and that the present heavy duty of $4\frac{1}{2}$ per cent. on the coinage of silver bullion be abolished.

(viii) "That half and quarter rupees be also struck of the same standard and of a weight proportionate to the denomination and annas of a compound mass of copper and silver, weighing eight annas . . . and containing such a quantity of fine silver, as may be found necessary to proportion their intrinsic to their nominal value. Pice may also be coined of pure copper of a weight to be calculated and determined on the same principle. The two last mentioned coins shall not be enforced as legal tender.

(ix) "As many conveniences arise in large trading cities from the circulation of gold coin, I recommend that gold mohurs be struck of the same weight as the new rupee and 23 carats[28] fine and issued at sixteen rupees each

[28] Francis deviated from the English standard of 22 carats in the case of gold mohurs on account of the strong "prejudice in favour of fine gold in this country." His whole scheme consists of eleven proposals, the last two of which being unimportant have been omitted.

. . . these mohurs be not made a legal tender and that the paying and receiving of them be left to a voluntary agreement between the parties."

The scheme impracticable at the time.

The plan thus outlined was theoretically quite sound but it was hardly practical at the time. It did not take sufficient account of the habits and prejudices of the people and of the state of the currency of the country. Not only did different kinds of rupees circulate in different districts, but even the same kind of rupee could not be used for any one district for all commodities. These diverse coins again were in various stages of debasement. Was it then possible to demonetise all these coins after the brief space of one year? Such a measure could succeed only after heavy recoinage and thus making the proposed standard rupee the chief currency of the province. But this would have entailed enormous expenses and could have been carried out only after years of persistent work. Hastings, though in substantial agreement[29]

29 Though differing in details, both Hastings and Francis were in favour of silver standard and of a single mint in Bengal. These two were the chief points of the currency Regulations of May, 1777. Monckton Jones quotes in her *Warren Hastings in Bengal*, p.p. 164-165, the following proposals for currency reform by Hastings, from a document in the British Museum :—(*i*) the coins of the province should be reduced to one denomination, (*ii*) the *batta* on the coins of different years and different mints should be abolished, and (*iii*) the rupee should contain more alloy.

with Francis in matters of currency reform, was too practical an administrator to give immediate effect to the above proposals.

Question of re-opening Patna and Dacca mints.

The immediate currency problem in Bengal in the spring of 1775 was the question of reopening the mints at Patna and Dacca. The closing of the two mints was not without its evils. People of Behar and Eastern Bengal found it difficult to get their bullion coined from the distant mints at Calcutta and Murshidabad, and *sicca* rupees acquired a scarcity value in those parts. In 1775, the *sicca* rupee at Dacca commanded a premium of $17\frac{1}{2}$ per cent.[30] over *arcots*, though the difference in the bullion value of the two coins was only 7 per cent. It is true that the *arcot* rupee was the established currency of Eastern Bengal at the time, but the scarcity of *siccas* caused hardship to landlords in paying their revenue. On May 4, 1775, the Governor General and Council asked the Board of Trade and the different Provincial Councils whether the mints at Patna and Dacca should be re-established, and

The date of the document cannot be definitely ascertained. If it was written in the spring of 1772, as suggested by Miss Jones, Hastings had anticipated at least three years before Francis, some of the fundamental principles of the currency proposals of the latter. This however does not entitle Hastings to any credit for originality, as the first two proposals had been repeatedly discussed by the Bengal Government during the period 1765-1772, and the third proposal was rejected by him in 1777.

30 Letter from the Mint Committee dated August 4, 1792.

if so, whether the rupees of the four mints should bear the name of the place where they were coined or should have exactly the same inscription so as to be indistinguishable from each other.

Opinion of public bodies.

The Board of Trade and the Provincial Council at Murshidabad simply summarised the arguments for and against the two questions, without offering any opinion of their own. The Councils at Dinajpur and Dacca were both in favour of reopening the mints. But in reply to the second question, the Dinajpur Council advocated the same inscription and the name of a single mint on the coins of different mints, whereas the Dacca Council recommended the insertion of the name of the mint where the coin was struck. The President of the Calcutta Committee of Revenue considered it necessary to have a mint at Patna but not at Dacca. He saw however no objection to the proposal about rupees of different mints bearing the name of the place where they were coined. The Provincial Councils at Patna and Burdwan[31] were definitely in favour of re-establishment of the mints and of the insertion of the name of the mint on the rupees coined there. Thus the replies of the different

31 But Mr. Stephenson, the Chief of the Burdwan Council, advocated a single mint for the province to which his colleagues were opposed.

public bodies did not disclose any unanimity with regard to the proposed measure.

Court of Directors' orders relating to *sonaut* rupee and Francis's objections.

When these different opinions were being discussed, there arrived in Calcutta the General Letter of the Court of Directors of March 3, 1775, which recommended that "the *sonaut* rupees shall be received into the Treasury at a fixed *batta* of 111 current rupees, *arcots* at 108 and that *siccas* shall not be received at a higher *batta* than *sonauts*, unless there shall be a difference in their intrinsic value." In his minute of October 30, 1775, Francis strongly criticised the reduction in the value of the *siccas* from 116 to 111 current rupees on the following grounds:

(i) It would be a breach of faith on the part of the government by which the present possessors of *siccas* would lose 5/116 of their property.

(ii) A proportionate loss would fall on the Company which had a great quantity of *siccas* in their treasury at the time.

(iii) In the receipt of revenue, the Company would also lose 5/116 on the entire collection.

(iv) The general balance of trade with all other settlements was against Bengal. The reduction in the value of *siccas* would be an inducement for liquidating this balance in *siccas* rather than in Bengal manufactures.

Francis was on principle opposed to any piece-meal change. In his opinion, the aim of currency reform should be "to establish one equitable rupee for the province which (could) only be effected by a general recoinage."

When such divergent opinions were held by different authorities, the Governor-General in Council considered it necessary to have more detailed information before taking any decisive step. Accordingly a circular letter,[32] containing among others the following questions, was sent to the different Provincial Councils:

Circular letter to the Provincial Councils.

1. "What coins pass current in the different parts of your division and the proportionate quantity of each as nearly as you may be able to estimate.

2. "Whether in your opinion it would be more for the advantage of the Government and the ease of the people, if *sicca* rupees were universally established as the current coin of the country without any distinction of *batta* or any discount."

The replies from the Provincial Councils gave a detailed account of the condition of currency in Bengal at that time. By 1776, *siccas* were gradually coming

Increased circulation of the *sicca*.

32 The draft of the circular letter is given in O.C. 1, August 14, 1776. There were altogether four questions in the letter, out of which the more important two are quoted here.

into use in certain parts of the province where they had not been in circulation even six years ago.[33] For instance, in 1770, *siccas* were not in use in Purnea, Rangpur and Bishnupur,[34] but in 1776 Patna *sonauts* and *siccas* were current in Purnea in the ratio of 2 to 1, while in Rangpur, old *Narayani* rupees, French *arcots* and *siccas* circulated in the proportions of 6, 3 and 1.[35] In Bishnupur *siccas* had no circulation in 1770, but in 1776, though *sonauts* formed the chief currency, payments for rice and other grains and rents were made in *siccas*.[36] It also appears from the reply of the Chief and the Provincial Council at Murshidabad, dated September 4, 1776 that three-fourths of the coins then circulating in that division were *siccas* of different *suns*. But in spite of this gradual extension in the use of *sicca* rupees, they had not yet become the prevailing currency of the entire province, and multiplicity of coins still continued in the different districts. To give only one instance, sixteen different species of rupees circulated in the districts under the Burdwan Council in 1776.

33 This does not apply to the Dacca division and the district of Chittagong where the *arcot* rupee continued to be the chief currency as late as 1776.

34 See O.C. 3 (b), April 12, 1770, already quoted in this chapter.

35 Extract from a Consultation held at Purnea on September 10, 1776, in P.P. April 1777.

36 Letter from Chief and Provincial Council at Burdwan dated December 12, 1776.

Question of adopting the sicca as the standard coin.

With regard to the question of introducing the *sicca* rupee as the current coin for the whole province, all the Provincial Councils replied in the affirmative, although for different reasons. The Councils at Murshidabad, Dinajpur, Burdwan and Patna and the Calcutta Committee of Revenue supported the measure on the ground that it would benefit the *ryots* and the people in general. The Chief and the Provincial Council at Dacca pointed out that the *arcot* rupee was the chief currency of their division, and the introduction of the *sicca* rupee within their jurisdiction would at first "perplex the mind of vulgar people." But the convenience of their division should yield to the general benefit of the province. These replies show that there was a complete change in the attitude of the Company's servants towards the currency question in Bengal. When the scheme of a stable *sicca* rupee as the current coin for the entire province was adumbrated in 1765, even the Company's Mint Master at Calcutta regarded it as unworkable. About two years later, Verelst's government negatived the proposal, considering it to be quite impracticable. But in 1776 all the Provincial Councils strongly recommended the establishment of the *sicca* rupee as the general currency of Bengal.

Proposed Regulations of Hastings.

With this strong support of 'men on the spot' Hastings laid the following Regulations before the Board on May 5, 1777:

1. "That it be resolved and declared that only one mint shall be allowed for the coinage of money, for the use of the three provinces, which shall be that of Calcutta.

2. "That only *sicca* rupees of the present standard be struck into (*sic*) the mint.

3. "That no gold coins be coined after the 31st of this month.[37]

4. "That all *sicca* rupees of the future coinage shall pass for ever, without any deduction of *batta*,[38] by weight and not by tale, in all receipts of revenue and in all receipts and issues of the Company's treasury.

5. "That orders be sent to the Provincial Councils and Collectors to transport to the Presidency all rupees of whatever denomination, which may be now in their treasuries,

37 By this article of his Regulations, Hastings set up something like the limping standard in Bengal. He stopped the further coinage of gold but the existing mohurs were to pass universally "in circulation at the usual value of 16 *sicca* rupees each, and be received and issued at the public treasuries at the same rate." (O.C. 3, September 18, 1777).

38 As suggested by the writer in his paper on *Some Currency Reforms of Hastings* read at the meeting of the Indian Historical Records Commission in January 1924, the practice of marking all *siccas* with the 19th year was probably introduced by this article of Hastings's Regulation, though it did not specifically lay down that the date on rupees then to be coined was to be retained for all future rupees also.

and from time to time such others as they shall receive, excepting *sicca* rupees of the 11 *sun* and of later dates and that all such rupees as they arrive at the Presidency be sent to the mint to be recoined.

6. "That for the encouragement of individuals to bring bullion to the mint, the present duty of 4½ per cent. on coinage be abolished and in lieu thereof a duty of . . . per cent in addition to the real charges be established.

7. "That for the further encouragement of the proprietors of bullion and specie requiring to be recoined, the expedient proposed by the Assay Master . . . be adopted . . . that is to say, that all such bullion or specie, as shall be tendered to the mint, shall, after having been assayed be received into the mint on the Company's account and that the produce estimated . . . be immediately paid to the proprietor from the public treasury."

Opinion of other members of the Council.

Barwell, a blind supporter of the Governor General in everything, naturally agreed to all these proposals. Francis, no friend of Hastings, also gave his support to the proposed Regulations except the second one. His objection to it was that the existing standard of the *sicca* was too fine for permanent circulation. Clavering, however, took a copy of the proposed regulations and a few days later criticised

almost all of them and suggested his own scheme instead.

Clavering's scheme.

The main feature of Clavering's scheme were:—(a) adoption of the British standard of fineness without any alteration in the bullion value of the *sicca;* (b) issue of fractional currency; (c) milling of coins; (d) circulation by tale and not by weight; and lastly (e) coinage at four mints but under one superintendent. Most of these proposals had been discussed by previous writers. For instance, Francis had already suggested the reduction of the fineness of the *sicca* to the English standard. The issue of subsidiary coins was also a part of his scheme. The suggestion that the edge of the coins should be milled had been made by the members of the Dacca Council in their letter of September 30, 1776. The proposal about the reopening of the four mints had been supported by the Provincial Council at Patna and a few other local bodies.

Hastings's reply.

In his reply to Clavering, Hastings pointed out that the proposals laid by him before the Board were not really his own. They consisted merely of Regulations already adopted by the Board or recommendations made to the Board by different local bodies. Thus a single mint in Calcutta was a *fait accompli.*[39] The loss which *sicca* rupees suffered from wear and

[39] See p. 122, footnote 21 of this Chapter.

tear on account of their fineness was not considerable in his opinion. He admitted that milling was necessary but pointed out that it was not then practicable. With regard to the question whether the *sicca* should pass by weight or by tale, Hastings replied that by immemorial custom of this country, coins passed by weight only. Francis too was of opinion that until the coins were struck with greater accuracy and the edges were milled, the impression on the *sicca* could not certify anything but the standard of fineness, and consequently it should go by weight and not by tale.

Hastings's Regulations as finally accepted by the Council.

All the articles of Hastings's proposals were discussed by the Governor-General and Council towards the end of May, 1777. Francis agreed to the first article and Clavering also gave his 'conditional assent' to it. The second and the third articles were also agreed to. Clavering admitted the propriety of the fourth article for the same reasons as Hastings. Francis however thought that no declaration on the part of the government on this point was necessary. The fifth article was left for future consideration. With regard to the sixth article, the Council decided that only the actual charg s for coinage should be taken. The last article was unanimously accepted. The second, third, fourth, sixth and seventh

articles of Hastings's regulations, as amended, were passed by the Council on May 29, 1777.[40]

Reasons for the failure of Hastings's Regulations.

This was the first systematic attempt to free Bengal from the evils of multiple currency. But it proved quite unsuccessful. Unless the government could by heavy recoinage convert into *siccas* the different circulating media of the country, uniformity of currency could hardly be expected. Such recoinage meant heavy expense which the government was not prepared to incur.[41] Nor was it likely that the public would bring their diverse coins to the mint in sufficiently large quantities and thus facilitate their substitution by new *siccas*. The reason was that even the actual charges for coinage which were to be taken according to the Regulations of May 1777, were quite

40 The above Regulations, as finally passed, are quoted in Colebrooke's *Digest* Vol. III, pp. 367-8. According to Colebrooke, the Regulations were passed on May, 27. This is evidently a misprint. The Regulations appear in P.P. May 29, 1777.

41 The Company was following a short-sighted policy in this matter. It is true that as the receiver of land revenue, its chief income, the Company did not directly lose through multiplicity of currency; for the land revenue throughout Bengal had been fixed in terms of the *sicca* rupee. But the Company had to bear loss in providing money for "investment." The hardship on the *ryots*, landlords and traders on account of the diversity of currency must also have adversely affected the Company's revenue in the long run. Quite in contrast with this narrow policy, the entire gold currency of England was being recoined at state expense at that very time, and arrangements had been made by an Act of the British Parliament in 1774 for the regular recoinage of the light gold coins of that country.

high.[42] In addition to these there were the risk and expense in sending specie to Calcutta for recoinage from the distant parts of the country.[43] The result was that the supply of *siccas* proved quite inadequate for the whole province. More than ten years after the Regulations of 1777, we find the Collectors of the various districts reporting that "almost every district and *pergunnah* throughout the provinces has a separate currency consisting chiefly of the old *sicca* rupees of the 11, 12 or 15 *sun* or *arcots* or *sunauts* of the various years and denominations, some struck at the public mints formerly established at Patna, Dacca and Moorshedabad and others clandestinely coined by individuals."[44]

42 It appears from the table of rates fixed on September 1, 1784 that on bullion of the *sicca* standard, the charges paid by individuals were Rs. 3-0-3 pice per cent. But when the bullion was 10 per cent. worse than the *sicca* standard, 11·7 per cent. was charged; and if it was so bad that it had to be twice refined, the charges were much higher.

43 Clavering's objections to a single mint at Calcutta thus proved well-founded and Hastings opened the Dacca mint on August 26, 1782 (O.C. 16, October 28, 1782). This however appears to have been a temporary arrangement. A few month after he had left India, the Calcutta Committee of Revenue recommended the re-establishment of the mint at Murshidabad "as an immediate remedy to the inconveniences arising from the present scarcity of the *sicca* rupee at that place." In fact, the closing of the three mints, was one of the chief obstacles to the general currency of *siccas* throughout the country. Cornwallis profited by this mistake and the reopening of the four mints formed a part of his scheme of currency reform.

44 Quoted from the letter of the Mint Committee dated August 4, 1792. The reports from the Collectors were in answer to the circulars sent to them by the orders of the Governor General in Council of June 4 and October 8, 1787.

Hastings's minute on copper currency.

The next innovation in currency was Hastings's proposal for coining copper as subsidiary currency. As stated above, both Clavering and Francis advocated the coinage of fractional parts of the rupee in silver. The latter had also suggested a scheme of copper currency. Hastings in his minute of July 30, 1778 remarked that the payment of labourers in *cowries* subjected them to loss and deception and discouraged them from working in the Public Works. The *cowries* were also too perishable to act as currency and their annual importation was attended with loss. For these reasons Hastings recommended to the Board in the above minute that 10,000 rupees should be issued in copper coin. But it was impossible for the single mint in Calcutta to do the additional work of copper coinage. No effect could therefore be given to Hastings's recommendation within the next two years.

Copper coinage of 1781.

On November 3, 1780, one Mr. Prinsep asked for the sanction of the government for establishing two mints at Palta and Monghyr. These mints were to strike copper pieces solely on government account. Early in 1781, the Company entered into a contract with Mr. Prinsep for the supply of copper coins. On September 24 of that year, the Governor-General in Council notified that "in

order to establish it as a necessary division of the *sicca* rupee and a convenient medium of exchange between silver and *cowries*, in the purchase of common necessaries of life," four kinds of copper coins would be issued at the following rates:

(*i*) *Madosie*	32	to 1	*sicca*	equal	to	100	*cowries.*
(*ii*) *Faloos*	64	,,	,,	,,	,,	80	,,
(*iii*) *Neem Faloos*	128	,,	,,	,,	,,	40	,,
(*iv*) *Pau Faloos*	256	,,	,,	,,	,,	20	,,

The weight of these copper coins were 20, 10, 5 and 2½ annas[45] respectively. It was also said in the above notification that the copper pieces would be received at the treasury to the extent of ten rupees in every thousand. The copper currency did not meet with popular favour, and retail trade continued to be carried on as before in *cowries.* Only the government dues began to be paid, as far as it was permitted, in copper. The Post Master General in his letter dated July 1, 1783 complained that on an average not less than 80 per cent. of the money received in payment of postage was in copper, which he found impossible to change into silver without a loss of one-fifth of the amount. This unpopularity of copper coins and their tendency to come back to the treasury clearly show that they must have been overvalued at the time.

45 16 *annas* equal to 1 *tola* in weight, *i.e.*, 180 grains (troy). One *anna* is therefore equal to 11¼ grs. (troy).

This overvaluation of copper continued till the days of Cornwallis. The recommendation of the Currency Committee of 1787 "to lower the value of the copper to a more equitable standard" also shows that copper was then overvalued. It appears from O.C. 6, April 16, 1788 that the principal merchants and citizens of Calcutta writing in April 1788 remarked, "Copper pice are generally refused by the natives because the nominal value exceeds the real so much that it occasions a very heavy loss, and this evil must continue, untill (*sic*) the copper currency is reduced to a more equitable valuation of the metal." We learn from this letter that 40 current rupees was the average price of a factory maund of copper out of which copper pieces worth Rs. 86 14 annas 10 pies were coined at the time.

Proposal for Paper Currency.

The only other currency experiment proposed by Hastings was a plan for the introduction of paper currency. In his minute of May 1, 1780, he referred to the shortage of currency in the province on account of the vast drains, "whether in ready money exported or by bills of exchange preventing its importation."[46] There had been

[46] The dearth of specie in Bengal in 1780 must have been due mainly to the export of money for carrying on war with the French, the Dutch, the Marhattas and the ruler of Mysore. The proposed paper currency was therefore partly a war measure, though it was not described as such in Hastings's minute

deposited in the new Fort William in June 1777 thirty lacs of rupees for meeting the extraordinary demands of the government. The withdrawal of this money from circulation further increased the scarcity of specie. Hastings therefore proposed the issue of treasury notes with the above deposit as security.[47] This was probably the earliest scheme of government paper currency in this country but it does not appear that it was actually given effect to.[48]

Establishment of a bank under government patronage.

Hastings was thus singularly unsuccessful in all his currency reforms. His proposal for a bank which was to facilitate the transmission of money from one part of the province to the other also failed. In his days when dacoity and highway robbery were quite frequent, the government had to undergo considerable risk and expense in sending land revenue to

Hastings in his minute does not refer to any export of bullion to England but specifically mentions the drain of specie to Madras, Bombay and China.

47 For further information about this scheme of paper currency —the measures taken for ensuring the convertibility of the notes, the form of notes to be issued, the notification etc.,—reference may be made to the writer's paper on *Some Currency Reforms of Hastings* read before the Indian Historical Records Commission in January 1924.

48 It cannot be ascertained from the papers in the Imperial Records Office why the scheme was abandoned. With British credit at a low ebb, it seems that the time was considered inopportune for launching a scheme of state paper currency.

Calcutta. Private merchants also experienced difficulty in making their advances to the *aurungs*. In April 1773, a general bank under government patronage was started for the province of Bengal. Babu Huzzoory Mull and "Ray Doleb" were chosen managers of this bank which established its branches in different districts. The Collectors were to pay the land revenue into the branch of the bank in their districts in the same species of coin in which they had been paid. They were then to take in exchange bills on the head office of the bank "for the amount payable in *sicca* rupees at the fixed and ancient *batta* of the *khazana aumera* or royal treasury. The Collectors were also ordered to receive land revenue from the landlords and farmers at the same rate of *batta*. Further, "a table of *hoondian* or commission of exchange" was to be agreed upon with the manager of the bank by which the commission on their bills was to be ascertained "according to the distance, risk and charge of transporting the sums in specie, if necessary, to the presidency or from place to place or to the facility of remitting the sums by bills in the districts." Private merchants were also allowed to make remittances to the *aurungs* through the agency of the bank at certain definite rates of *hoondian*.[49]

[49] Regulations for this bank are quoted *in extenso* in Price's *Notes on the History of Midnapore*, pp. 202-206.

Abolition of the bank.

The bank does not appear to have afforded the relief which was expected.[50] The commission charged by the bank for the transmission of money appears to have been high. In their letter of March 30, 1774, the Court of Directors remarked "that for every 100,000 *sunauts* paid to the agents of the bank in the various districts of Bengal, there will only be repaid to the Governor General and Council at Calcutta Rupees 94,828 of the same weight and real value and therefore this regulation cannot be confirmed by us." The bank was accordingly abolished in February 1775.

Indigenous banks no suitable agency for transmission of land revenue.

It was however difficult at the time to find a suitable agency for the remittance of land revenue to Calcutta. There were many indigenous banks in the country. There was the famous banking house of Jagath Seth which still had fairly extensive business, but had lost the influence it wielded in the Plassey days.[51] No other indigenous

50 For the complaints of the *ryots* of Midnapore against the bank, see *Price—Op. Cit.* p. 206.

51 We learn from Hand's *Early English Administration in Behar* that Jagath Seth was the Company's banker in Calcutta in 1781, but in 1782 the house of Gopal Das and Hurry Kissen Das was appointed in his place. But only ten years before, Jagath Seth enjoyed greater credit from the government than any other indigenous banker. The Council of Revenue at Murshidabad wrote to Mr. Middleton at Dacca, directing him to send the

bank had at the time of Warren Hastings sufficient credit and organisation to undertake the remittance of land revenue from the outlying districts to the capital. Thus we find Mr. Maxwell, Revenue Chief of Behar, writing to the Committee of Revenue on April 11, 1781 "not being able to procure good and secure bills through the *shroffs* at Patna for so large a sum (Rs. 307,759), I am under the necessity of remitting the balance of my treasury in specie." The transmission of specie was however so costly that the government tried their utmost to make remittances through the most influential of the indigenous bankers. But on more than one occasion the government suffered loss on account of their failure. For instance, in July 1780, when the house of Ram Churn Sow and Gopal Churn Sow dishonoured a bill drawn on them for Rs. 53,619, the government could recover only Rs. 40,389 from the drawers. Again in September 1780, the house of Ram Kissen and Lachmi Narain failed in Calcutta. The result

revenue through the house of Jagath Seth in the following letter dated April 1, 1771 which has been recently discovered by the writer among the old records of the Dacca Collectorate :—

"The merchants upon whom the last bills were drawn from Dacca and Tipperah......have not been punctual in the discharge of them; this renders it necessary that we should refer you to our orders of the 11th and 21st ultimo to the Supervisors for making the remittances of revenue by bills on the house of Juggut Seat which were given, not only to ensure punctual payment here but to obviate all risk of loss accruing to the Government." (Letters received at Dacca—27th December 1770 to 19th January 1773, p. 29).

was that a bill for Rs. 45,151 drawn on them by their partner Ram Sow at Patna in favour of the government could not be paid. In this case the government could recover only a small portion of the amount.[52] But in spite of such occasional failures, dishonesty and fraud among indigenous bankers was extremely rare. Though a considerable portion of land revenue was sent to Calcutta by direct state agency, a part still continued to be remitted through the indigenous bankers.[53] The *shroffs* proved unsuitable agents for this purpose, not on account of their dishonesty, but because their credit and resources had already begun to decline. There is such an intimate connection between trade and banking that the decline of indigenous commerce, both inland and foreign, adversely affected the *shroffs*. In Hastings's days the foreign trade of Bengal was almost entirely in the hands of the Europeans[54] who did not seek the assistance of the indigenous banks in

52 Hand—*Op. Cit.*, p. 69.

53 Thus Ramjeeroum, *gomastah* of the leading banking firm of Nunderam & Bydenaut, in Calcutta, in his evidence before the Currency Committee of 1787, said that the chief business of the firm was "in bills of exchange for the remittance of the collections of revenue."

54 Abbé Raynal writes, "Excepting these two branches of maritime trade (trade with the Maldives and Assam), which for particular reasons (bad climate of the Maldives and Brahminical influence in Assam) have been confined to the country, the people of Bengal have been deprived of all others by the Europeans." *A Philosophical and Political History of the Settlements and Trade of the Europeans in the East and West Indies*, Vol. II, p. 144.

financing their business.[55] Inland trade, mainly in the hands of the Indians, was in a decadent condition.

Rise of Agency Houses and European banks.

To provide banking facilities for the European merchants, a few European managed banks were started in Calcutta during the administration of Hastings. The first of these was the Bank of Hindostan. It was started about the year 1770 by Messrs. Alexander & Co., one of the earliest Agency houses in Calcutta. It appears from the evidence of Mr. Bracken, a partner of the firm, before the Select Committee of the House of Commons on March 24, 1832 that such Agency houses were chiefly established by the Company's servants who resigned their service and engaged in agency and mercantile business. They received mainly from their friends in the Company's service their savings which they employed in trade and sometimes started regular banking in addition to general trading and agency business. They did not, however, issue bank notes, though most of them received deposits and did other kinds of banking business. The Bank of Hindostan was the first bank in this country to issue notes.[56] Its notes, though

55 The evidence of Mr. Harwood in Appendix 58 to the *Ninth Report*, 1783.

56 The business of the indigenous bankers was confined to the issue and discount of *hundis*, money lending and money changing.

not recognised by the government, had a local circulation averaging 20 to 25 lacs of rupees. It is said that "they were received for many years at all the public offices in Calcutta, scarcely excepting the Treasury itself." This bank failed during the crisis of 1832. There was another European bank in Calcutta in Hastings's days, the Bengal Bank.[57] We read in an advertisement in the Calcutta Gazette that a subscription was "opened at the Bengal Bank" on May 24, 1784. From another advertisement in the same paper on September 8, 1785 we learn that the bank had changed hands and that its new proprietors were Messrs. Jacob Rider and Edward Hay, and that the bank in future would issue notes[58] "for the several sums of five hundred rupees, one hundred rupees, fifty rupees and one gold mohur." Some six months later, there appeared another advertisement in the Calcutta Gazette that the bank would issue "their post bills for the accomodation of gentlemen living at or going to other settlements or subordinates," and that the bank would not engage in any commercial concern except the purchase of bullion. This growth of credit facilities, meant chiefly for the Europeans of Calcutta, did not bring any

57 This bank had no connection with the Bank of Bengal, the first Presidency Bank in India.

58 For the Form of the Bengal Bank notes, see Cooke's *Rise, Progress and Present Condition of Banking in India* (1863), p. 391.

relief to domestic commerce which was more important both in value and amount and in which the people were more interested than in foreign trade. The inland trade of Bengal was at that time suffering from many evils of which multiplicity of currency and numerous inland duties were the most prominent. As pointed out above, Hastings failed to remove the first evil. His attempt to remedy the second met only with partial success.

No mercantilism in India.

In pre-British times, "the system of economy (in India) had essentially been provincial and local rather than national." The influence of mercantilism which led to the removal of inland tolls and the establishment of a national customs tariff in many western countries (*e.g.*, in France under the administration of Colbert in the seventeenth century), was absent from India. The Indian nation is in the making and the conception of one united nation did not arise in pre-British days. The idea of the formation of one united state of India on national lines, and of the adoption of a corresponding economic policy to achieve this end, was absent during the Hindu or Muslim rule. There is another reason also. The key to the whole mercantilist policy of the western countries lies in their prohibition or regulation of the export of bullion. But this was quite unnecessary in India where the balance of trade was

generally favourable. Terry (writing about 1616 A.D.) remarks that the export of silver from India was visited with capital punishment.[59] Mandelslo, the German traveller who came to India in 1638, also tells us that in Guzerat "the penalty of death was inflicted on any merchant who, to settle his debts with a foreign merchant, exported coin out of the realm."[60] But these statements are not corroborated by any important writer.

Inland duties in Mughal and early British days.

This absence of mercantilism explains the various inland duties in Mughal times. In those days commodities were taxed in the course of transit from place to place and when these duties proved too burdensome to trade and industries, they were repealed by the Emperor. Thus Aurangzib abolished most of these duties but "they were continued by *fouzdars* and *zamindars* in the far off provinces in secret defiance of the Emperor's orders." With the gradual weakening of the Mughal power after Aurangzib's death, the provincial rulers began to impose openly any duty they liked. Even petty rajahs and *zamindars* levied duties on their own account. The result was that at the beginning of the British

59 Article on Mughal Currency in *Indian Journal of Economics*, 1918, p. 178.

60 Oaten—*European Travellers in India*, p. 182.

rule in Bengal, a great variety of tolls and duties were exacted, obstructing the progress of trade and industry. The evil had become so prominent as to attract the attention of the Court of Directors, who, in their letter of April 10, 1771, observed, "Persuaded as we are that the internal traffic of Bengal has received further checks from the duties which are levied at petty *chokeeys*, we positively direct that no such *chokeeys* be suffered to continue, on any pretence whatever, to impede the course of commerce from one part of the province to another."

Hastings's customs Regulations.

Thus supported by the Court of Directors, Hastings passed the following Regulations on March 23, 1773[61]:—

(a) All road duties are to be prohibited and all inferior *chokies* (called *faundees*) abolished.

(b) Every article of foreign or inland trade except salt, betel-nut and tobacco is to pay a duty of 2½% distinct from the Company's duty[62] paid in Calcutta.

61 Colebrooke's *Digest of Bengal Regulations*, Vol. III, pp. 425-427; Monckton Jones—*Op. Cit.* pp. 244-245.

62 The Company's duty paid in Calcutta was also called the Calcutta Customs and was later on known as the Calcutta Town Duties. These "were collected by the Company in virtue of their ancient factorial rights and were leviable on all goods whatever, imported in Calcutta, by land or by water, whether for consumption in the town or for the purpose of subsequent export."—Harrington's *Analysis*, Vol. III, p. 59.

(c) Five customs houses are to be established and stationed at Calcutta, Hugli, Murshidabad, Dacca and Patna.

(d) Besides these custom houses two *chokies* are to be "erected to collect the duty on goods exported to the westward through the passes of the hills, bounding Midnapore, Bissenpore, Pacheat and Bheerbhom and another for collecting the duties on goods exported to the northward by the Sonassy merchants, who trade from Malda to the upper parts of Hindostan."

(e) "A *rowannah* passed at any one of the custom houses shall be current throughout the provinces . . . and being indorsed by the Collector, the goods shall pass without interruption or further examination."

(f) "All Europeans who go up with fleets of boats are previously to obtain a license from the Board of Customs at Calcutta specifying the length of the time they are to be absent . . . and on no pretence whatever to attempt to fix a residence in the Out-districts."

Restrictions on inland trade still continue.

The above Regulations, though they introduced some improvement in customs tariff, did not bring about freedom of internal trade, because Hastings left untouched the *zamindar's* right of levying duties at *hats* and *gaunjes*. He ordered the abolition of only the *zamindari*

chokies and of the *sayer chalunta* or transit duties which were collected by the *zamindars* in their own estates. It appears however from the General Regulations for the Collections of the Customs, June 1781, that this order was more honoured in its breach than in its observance. The Regulations run as follows :—

"Notwithstanding the repeated orders of Government for abolishing all *chowkies* and *foundies* for the collections of *Rahdary* duties in their provinces, yet there are still some *zamindars* so hardy as to venture at disregarding the authority of the *rowannahs* and extorting money from the merchants. It will therefore be necessary for the Hon'ble the Governor General and Council to repeat their orders once more to the superior authority in each district and to inform them that in future when any complaints are made and proved the Commissioners are empowered not only to oblige the immediate offender to refund the money so extorted, but also to inflict corporal punishment upon him on the spot where the exactions were made, and the *zamindar*, *chowdhry*, *talukdars* and other proprietors of the *pergunnah* or portion of land where the offence was committed shall be punished by a confiscation of the whole or part of his lands." Even these drastic orders could not stop the evil.

Another measure which did more to bring

Abolition of *dastaks* and prohibition of inland trade by Company's servants.

about freedom of inland trade was the abolition of *dastaks* to the Company's servants. We have seen how the abuse of *dastaks* by the Company's servants led to a practical monopoly of inland trade in their hands. Ever since the war with Mir Kasim, the Court of Directors had been urging that this abuse should be stopped, but their orders were not obeyed. Hastings in his Notification of February 16, 1773 prohibited the privilege of *dastaks* to the Company's servants from the 12th of April next. But he granted certificates on payment of the established duty of 2½% to those servants of the Company who had hitherto been entitled to the use of *dastaks* "upon their making affidavit that the goods on which such imposts were levied were on their own account." These certificates "enabled them to claim a draw-back from the revenue." This measure stopped the abuse of covering one's goods with the passports of the Company's servants and thus removed one of the sources of unfair competition in inland trade. The position of the country traders was further improved by the Regulating Act of 1773 which, besides prohibiting the public officers employed in the collection of revenue or administration of justice from the purchase or sale of any commodity whatever within the provinces of Bengal, Behar and

Orissa, declared it illegal for the Company's servants "to engage, intermeddle or be any way concerned, directly or indirectly in the inland trade in salt, betel-nuts, tobacco or rice except on account of the United Company." But it is clear from Cornwallis's letter to the Right Hon. Henry Dundas, dated August 14, 1787, that the judicial and revenue officers were still carrying on trade in the name of their friends or relations. It should be noted that the Company's commercial residents were not precluded by the government from trading on their own account and this often caused hardship on the indigenous traders and manufacturers. It was to stop such abuses of power that Cornwallis prescribed rules "for the conduct of commercial residents, carrying on trade for themselves."

Decline of Asiatic trade during the years 1757-1772.

Thus we see that though Hastings could not bring about complete freedom of inland trade, he succeeded in removing some of its burdensome restrictions. He also took active steps to promote the foreign trade of Bengal. Even since the battle of Plassey, the commerce of Bengal with her Asiatic neighbours was on the decline. The anarchy prevailing in Persia after the assassination of Nadir Shah had considerably interrupted Bengal's trade with that country. Her trade with the Turkish Empire had also declined on account of the

rebellions in Egypt and Bagdad. The disturbed condition of Egypt had practically stopped the trade by caravans, from Suez to Cairo from which the rich stuffs of Bengal were formerly distributed by sea to the chief ports of the Ottoman Empire. The trade with Basrah also was almost at a standstill. In 1769, there were in the ware-houses of that city Bengal manufactures "to the value of two hundred thousand pounds, which could not be sold for half the prime cost." The oppression of the ruler of Bagdad and the rapacity of the Arab tribes had practically stopped the caravan trade with the profitable markets of Syria and Aleppo. According to Verelst, the declining trade of Bengal with Persia and the Red Sea reduced the import of specie from that source from about £250,000 to £50,000 per annum. The trade with the Eastern kingdoms of Asia consisting mainly of opium and piece-goods had also declined on account of the rise in the price of the manufactures of Bengal. The increased demand for these articles for the Company's "investment" and the monopolistic control of the Company naturally raised the price of these products to the ordinary merchants. The lucrative trade with Assam and Tibet was also far from flourishing. At the beginning of Hastings's administration, the jealousy of the Assam government had restricted trade in such a manner that it was of little advantage to

Bengal. The whole amount of this trade did not exceed six or seven lacs per annum. It has already been said that the Gurkha conquest of Nepal in 1767-68 had considerably interrupted the main channel of commercial intercourse between Bengal and Tibet. Trade on a restricted scale was still carried on with Tibet through Benares and Mirjapore. The chief articles of merchandise between Bengal and Tibet when Bogle visited the latter country in 1774 were "broadcloth, other skins, *neel* (indigo), pearls, coral, amber and other beads, chank shells, spices, tobacco, sugar, Malda striped satins and a few white cloths, chiefly coarse," and the returns were made in gold dust, musk and tails of yak cows. But it was not the decline of her commerce with the different countries of Asia but the falling off of her exports to Northern India which caused the greatest hardship to Bengal. The rise in the price of Bengal manufactures, the general insecurity of the country and the imposition of heavy transit duties by the rulers of Upper India gave a severe blow to the lucrative commerce which Bengal carried on "with Agra, Delhi and the provinces adjacent to those superb capitals, in salt, sugar, opium, silk, silk stuffs and an infinite quantity of cottons and particularly muslins. These articles, taken to-gether, amounted formerly to more than 40 millions a year (£1,750,000)."[63]

[63] Raynal—*Op. Cit.*, Vol. I, p. 408.

Dutch trade at the beginning of Hastings's administration.

Not only the indigenous merchants who carried on this inland trade but the chief commercial rivals of the English East India Company were far from prosperous at the time. Stavorinus, a Dutch naval officer, who visited Bengal about the year 1770 writes "the commerce of the (Dutch) Company in this country was very profitable; but some years back, it has greatly declined, which is, undoubtedly, in a great measure ascribable to the influence and power of the English. . . . I say however in a great measure, because I think that a want of fidelity in the (Dutch) Company's servants has not a little contributed to lessen the profits." The chief Dutch imports to Bengal at this time, as in the previous period, were silver, woollen goods, iron, cutlery and other European wares. The bulk of the exports to Holland during this period was also much the same as in the first half of the eighteenth century. These were cotton goods, raw silk and saltpetre. According to Stavorinus, two and a half million lbs. of saltpetre was exported from Bengal in 1770 in six Dutch ships, three bound to Holland and three to Batavia.[64] A considerable quantity of saltpetre sent to Batavia, was generally re-exported to Holland. Spices, pepper, tin and Japan copper were the

64 Stavorinus—*Op. cit.* Vol. I, p. 479.

chief exports from the Dutch East Indies to Bengal while the main exports from that province were cotton goods, saltpetre and opium. More than one hundred thousand lbs. of opium was annually shipped in Dutch vessels and consumed at this time at Java, Moluccas and other places in the eastern part of Asia.

French trade at the time.

The chief exports to France at this time were also cotton goods and saltpetre. This trade was however not considerable as it had scarcely recovered from the fatal effects of the Seven Years' War. The decline of French trade was also partly due to the oppression of the English. Abbe Raynal writes, "They (the English) have insulted the French in their workshops; seduced their workmen, cut the linens off of the looms; insisted that the manufacturers should do no work but for them in the three best months of the year."[65]

65 Abbé Raynal—*Op. Cit.* Vol. II, Book IV, p. 400.

See also the letter of Mon. Chevalier, Director of the French Settlement, dated May 24, 1774, complaining to Warren Hastings against the high-handedness of the Company's officials at Hughly. The following extract of the General Letter from the Court of Directors dated December 24, 1776, may be quoted in this connection: "In consequence of *our orders for discouraging the trade of the French* (The italics are ours. The author has not been able to trace the papers relating to these orders in I. R. D.), you were induced to prohibit that nation from importing cargoes at your Presidency, but as it appears from your representation that the intended effect is not likely to be produced and that the

Greater part of foreign trade in the hands of the English Company.

It is not therefore surprising that when Hastings became the Governor of Bengal, the greater part of the foreign trade of the province had passed into the hands of the English. As has been noted in the last Chapter, this change was partly due to the exercise of monopolistic control over trade and industry by the English Company. It was partly the result of its "investment" out of the surplus of territorial revenues. Up to the end of the eighteenth century, European merchandise did not find a large and profitable market in any part of India. The financing of their exports from this country had therefore been a difficult problem with all the European Companies. But on account of the "investment" out of surplus revenue, the amount of the East India Company's exports from Bengal no longer depended in the least on the value of its imports. This fact explains the apparent anomaly[66] that though the total value of the

Company will lose the additional import duties on such French cargoes, as may be transported by other channels into the provinces, we have the less objection to your permitting the French to land their goods at Calcutta."

66 It is true that the visible exports and imports of no country actually balance one another as there are various invisible items of trade. Even if these latter items, specially the value of bills drawn on the Court of Directors, were taken into account, there was still a substantial excess of exports from Bengal in the early British days which represented a tribute from the province to her new rulers.

Company's import cargoes in Bengal was £1,412,510[67] during the ten years from 1761-62 to 1770-71, only the prime cost of the Bengal exports to England during the same period amounted to £5,291,368.

Measures taken to promote trade with neighbouring countries.

Within a few months of his arrival, Hastings tried to establish direct trade relations with Egypt. In his letter of December 29, 1772 to Ali Beg, Pasha of Egypt, Hastings referred to certain presents he was sending to the Pasha and said that he would send a ship to Egypt "with a large cargo next year." About a year later, we find Hastings requesting the same ruler to re-consider the new tariff regulations of his country "in the interests of commerce." But these attempts proved unsuccessful. The Ottoman Porte objected to any ship under Christian flags, navigating in the Red Sea beyond Jedda. Accordingly the Bengal Government issued an advertisement on March 26, 1778, prohibiting trade "to any other port in the Red Sea except Jedda and Mocha." But the trade with these two ports did not

67 The Company's imports at Europe price with 10% added, during the decade 1761-62 to 1770-71 was £1, 138,311. The profit on these goods sold in Bengal during the period was £299,062. The loss on them was £24,863. Therefore the total value of the import cargoes realised in Bengal was (£1,138,311 + £299,062—£24,863) or £1, 412,510. For further details see *Report of the Committee of Secrecy*, 1773.

improve in spite of Hastings's repeated attempts. In O. C. 61 of November 23, 1780 Hastings remarked; "the trade of the Gulphs has been declining for some years, and now absolutely stopped, ships are prohibited from going to Suez, the heavy duties extorted at Jedda have put an end to the trade to that port, the troubles between the Turks and Persians have for some time prevented the sale of goods at Bussorah and Bushire." Hastings was equally unfortunate in his efforts to increase commercial intercourse with Bhutan and Tibet. One of the clauses of the treaty between the East India Company and the Raja of Bhutan, signed on April 25, 1774, was that in future Bhutia merchants would be allowed to come every year with their caravans to Rangpur without paying any duty.[68] On May 13, 1774 Hastings sent Bogle on a commercial embassy to the Court of Teshu Lama in Tibet, but the untimely death of the Lama stopped Hastings's projects. Hastings was however more successful in pro-

68 On November 28, 1774 Hastings sent also the following *parwanah* to the Raja of Bhutan :—

"Notice is hereby given to all the merchants of Bhutan that the strictest orders have been issued to the officers at Rangpur and Ghoraghat . . . . that they do not obstruct the passage of the Bhutan merchants to those plaees for the purpose of carrying on their trade as formerly, but that they afford every assistance to their caravans. They are therefore required not to entertain the least apprehension but with the greatest security and confidence to come into Bengal and carry on their trade as formerly. . . ."

moting trade with Benares and Oudh. The steps which he took may be best described in his own words. In his letter of 12th October, 1773 to Sir George Colebrooke, the Chairman of the Court of Directors, Hastings writes "I have settled with Rajah Cheit Sing an equal plan of customs for all goods passing from Bengal to Merzapoor, which is the great mart of his and the Vizier's dominions, excepting the articles of broad-cloth, copper and lead, bought at the Company's sales, which are to pay no duties."

Progress of foreign trade under Hastings.

Thus we see that the steps taken by Hastings to promote the foreign trade of Bengal did not prove very successful. The trade with other parts of India did not also increase much during his administration. The decline of the condition of Oudh and Rohilkhand after the death of Shuja-ud-Dowlah and the ravages of Hyder Ali in Southern India checked the progress of trade with those parts of India, whereas the exorbitant price[69] of the manufactures of Bengal

69 The papers attached to Francis's minute on land revenue dated January 22, 1776, in Appendix 14 to the Sixth Report of the Select Committee of 1782 give an account of the effect of the increased price of the manufactures of Bengal on her trade with the Bombay Presidency. We learn from this account that the increased price of Bengal raw silk led the merchants of Western India to export their raw cotton to China and bring in exchange raw silk which they formerly imported from Bengal. We also find that the increased prices of the various cotton and silk manufactures of Bengal gave an impetus to the manufacture

was chiefly responsible for the decline of her trade with Western India. As the trade with the different Indian provinces was mainly in the hands of the indigenous merchants, their economic condition improved but little during Hastings's administration. There was of course a considerable progress of the sea-borne trade during the period. The increase in the tonnage of vessels arriving in the river Hugly from 23,831 in 1770 to 43,935 in 1774 gives an unmistakable proof. But the indigenous merchants had little concern in this trade as it was "almost entirely carried on by the Europeans." A brisk trade with China sprang up in Hastings's days, which also was controlled by the European merchants. At that time China took about half of the Bengal opium exported from Calcutta, and the rest went to Java and other countries. In 1729, the Emperor of China had prohibited the sale of opium in China *for the purpose of smoking* but no edict prohibiting the import of opium had yet been issued.[70] Indian opium therefore continued to be imported as foreign medicine but on some occasions the Chinese authorities treated it as opium for smoking and condemned it as contraband. Generally however they secured a bribe and passed the

of similar articles at Surat, Broach and other parts of Western India.

70 The imperial edict of 1796 was the first to prohibit directly the import of opium into China.

opium as for medicinal use. In spite of interferences the traffic in opium went on. It should be remembered however that though the trade of the private English merchants and other European traders increased, no remarkable development of it was possible before the passing of the Charter Act of 1813 on account of the numerous restrictions still imposed by the English East India Company.

Trade of the rivals of the English East India Company.

The trade of some of the rivals of the English Company was also quite prosperous. The French Company was however an exception. On account of the suspension of their exclusive privilege by Louis XV in 1769, the French trade with Bengal was carried on only by private French merchants during the period 1770 to 1784.[71]

71 The condition of the French trade in Behar, Kasimbazar and Dacca is described in the following letters recorded in O. C. 12, September 1, 1784 of the I R. D. :—

1. Letter from Mr. Sumner, Commercial Chief of Patna, to the President and Members of the Board of Trade, dated July 6, 1784 :—The trade of the French in the province of Behar since 1763 "consisted of two articles, saltpetre and coarse callico cloths. Their saltpetre was regularly received from the English East India Company. Their portion was annually 18 thousand maunds of 76 sicca weight but sometimes French public agents have not applied for so much and in 1777 and 1778 they only received about half that quantity."

2. Letter from Mr. Keighly, Chief of Kasimbazar, dated May 7, 1784 :—"the trade of the former (French) has been so very small for many years past."

3. Letter from Mr. Law, Chief of Dacca, dated August 15, 1784 : "The trade of the French in these parts were chiefly

This small trade received a severe blow when a war broke out between England and France in 1778. The trade of the Dutch East India Company in Bengal was, on the other hand, very prosperous during the decade beginning with 1770 but the war with England in 1780 suddenly stopped it. During these wars with Holland and France, the Danish trade in Bengal which had been insignificant up to this time, reached the zenith of its prosperity. Involved in hostilities with the three maritime powers of America, France and Holland, the British trade suffered severe losses from their enemies' men of war. The English therefore began to send their merchandise in Danish ships. "These were the golden days of Serampore commerce. Before the close of that war, no fewer than twenty-two ships, mostly of three masts and amounting in the aggregate to more than ten thousand tons cleared out from the port in the short space of nine months. This trade, though eminently profitable to the Danish East India Company, was perhaps still more advantageous to their factors, who, while in the receipt of salaries not exceeding two hundred rupees a month, drank champagne at 80 rupees a dozen, and in a few years returned to Denmark with large fortunes."

coarse goods which they provided through by means of *dellils*" (*i.e.*, *dalals* or brokers).

Abnormally favourable balance of Company's Bengal trade.

Though both the exports and imports[72] of the English East India Company in Bengal increased during Hastings's administration, the large excess of exports of the period 1757-1772 continued. This abonrmally favourable balance of trade was necessary to meet the heavy demand for money in England. In their letter dated April 7, 1773, the Court of Directors observed, "As the state of affairs requires the utmost extension of your investments, you are not to forbear sending even those which are attend-

72 The value of the English East India Company's Bengal imports and exports during the years 1772 to 1780 is as follows :—

Years	Imports of Merchandise	Exports				
		Piece goods	Raw Silk	Salt-petre	Drugs	TOTAL
	£	£	£	£	£	£
1772	78,133	697,778	136,270	24,275	7,555	865,878
1773	92,043	508,622	94,431	22,306	7,213	632,572
1774	121,357	466,944	160,016	14,262	7,645	648,867
1775	175,808	659,255	239,514	23,968	10,100	932,837
1776	179,646	446,277	318,406	16,736	7,104	788,523
1777	147,972	614,539	434,268	23,971	9,455	1,082,233
1778	110,349	595,079	633,836	23,252	14,057	1,266,224
1779	193,038	563,675	481,862	26,146	10,770	1,082,453
1780	196,286	639,938	554,237	34,911	25,872	1,254 958

The figures for exports are taken from Appendix 6 to the *Ninth Report* of 1783. These exports are valued at prime cost and not at their sale price in England. The figures for imports are taken from MacGregor's *Commercial Tariffs*, p. 120.

ed with a loss, in case such should be necessary to supply an investment to as great an amount as you can provide from your own resources." So long as the surplus of territorial revenues was available, the Company increased its Bengal exports whether they proved profitable or not. Though the exports of 1776 were sold at a loss, the Company increased its exports still further in 1777 and 1778 which did not bring any profit to the Company. The prime cost of the Company's exports from Bengal during the four years from 1776 to 1779 was £4,176,525. On this the net loss of the Company amounted to £519,229.

Cotton goods the chief export.

Cotton goods formed the Company's main export from Bengal. From 1771 the export of piece-goods to England remained fairly steady down to 1778 in which year 805,010 pieces were sold. In 1779 there was a heavy fall, both in the value and volume of this export, the number of pieces sold being 338,465 only. During the next four years, the number of pieces exported was not much higher.[72] This sudden decline in export was due to the declaration of war by France, Spain and Holland against England during the War of American Independence. Of the cotton goods exported to England, the greater

72 Milburn—*Oriental Commerce,* Vol. II p. 234.

part was re-exported to the Continent, West Africa and West Indies, since the passing of the Acts of 1700 and 1720 by the British Parliament.[73] This re-export trade was considerably restricted during the war from 1779 to 1783.

British calico printers' memorial.

The old jealousy of the British manufacturers which led to the passing of the Acts of 1700 and 1720 for shutting out the main classes of Indian cotton goods from the English market, found a fresh expression in the memorial of the British calico printers in 1782. In their letter dated July 12, 1782, the Court of Directors observed "a memorial from the callico printers having been presented to us in which they propose that application be made to Parliament to lay such an additional duty on printed callicoes imported from Bengal as shall put them on an equality with the goods manufactured here : also to prohibit the exportation to India of blocks, plates and all other utensils employed in the printing of callicoes and the sending out artists skilled in that line." Accordingly the Court of Directors resolved "by way of compromise to withhold the importation of printed goods from Bengal for a term of four years."

73 For the effect of these Acts on Indian cotton goods trade, see Chapter I, pp. 26—29.

Cotton trade generally profitable.

In spite of this restriction, cotton goods in general, formed a profitable export in Hastings's days. But towards the close of his administration there was a rapid rise in the price of Bengal piece-goods which must have considerably affected the Company's profits. The following figures from a letter of the Secret Committee of the Court of Directors of April 1786 give an idea of this rise in prices:

		Year 1783.			Year 1785.
Cossaes (*Khasa*)	Rs.	17-14	p.p. (per piece)	Rs.	22
Mulmul ...	,,	7	,, ,, ,,	,,	10-8
Terrindam ...	,,	16-1	,, ,, ,,	,,	22
Dooreas ...	,,	34-8	,, ,, ,,	,,	43
Callicoes ...	,,	114	p.c. (per corge)	,,	207-8
Humhum ...	,,	7	p.p.	,,	9-10

It may be noted that all classes of cotton and silk goods exported by the Company were not equally profitable, for we find the Court of Directors writing on March 16, 1784, "It is our most positive injunction that the quantities of the following goods be not increased on any account: *Allibaллies*, *Carridarries* of all sorts, *Doreas* checked, *Doreas Cossjurah*, *Doreas Dacca*, *Doreas Kisseroys* (?), Nainsoocks, Neck cloths, *Nillaes*, *Romals* Barnagore, *Romals soot*, *Sannoes*, *Sannoes* thick, *Seer Suckers* (?), *Taffaties* plain, *Taffaties* red."

Raw silk.

Unlike the export of cotton goods, the other items in the Company's Bengal "investment" during Hastings's administration were generally attended with loss. The most important of these was raw silk. As early as 1757, the Court of Directors sent Mr. Richard Wilder to Kasimbazar to remedy the defects of Bengal silk. He continued to work till his death in 1761, and introduced certain improvements in silk winding. The next important measure was the import of silk worms from China in 1771 to improve the quality of the silk cocoons. During the years 1770-1775 the Company adopted the Italian method of winding silk. This led to such an improvement in the quality of Bengal silk that its sale in England increased rapidly. The average annual export of Bengal raw silk to England during the decade 1776-1785 rose to 560,283 (small) lbs., while that from Italy, China and other countries did not altogether exceed 282,304 lbs. Unfortunately, this improvement in the quality synchronised with a rise in the cost of production. Francis referred to the increased price in the papers attached to his Minute of January 22, 1776. In their letter of September 24, 1783, the Court of Directors complained that "notwithstanding the cheapness of labour in Bengal, the price of raw silk produced in that country exceeded the cost of silk from Italy." The

Company's raw silk investment which yielded a handsome profit[74] before the *Dewani*, became an unprofitable undertaking from 1771. During the years 1776-1785 the Company lost £884,744 on its sale of Bengal raw silk. In 1783, the Company omitted raw milk from its "investment." The silk trade was now thrown open to private individuals "on condition of paying the freight, charges and duties, permitting them to send it to Europe in the Company's ships upon their own account." But two years later, the Company revoked this privilege and reserved for itself the exclusive right of sending silk to England.

Saltpetre.

The next important item of the Company's export was saltpetre, the greater part of which coming from the province of Behar, was, as has already been said, a monopoly of the East India Company. Saltpetre being an ingredient of gunpowder, its export was regulated by the course of political events. During the twelve years of peace from 1763 to 1774, the Company sold on an average 22,620 bags[75] of saltpetre per annum, while during the eight

74 According to a letter from the Secret Committee of the Court of Directors written in April 1786, the Company's export of raw silk produced "a net profit in England of 9 s. per lb. of 24 oz. before 1765.

75 These bags were made of handloom-woven jute. In their letter dated September 21, 1785, the Court of Directors ordered that saltpetre should be sent, packed "in the strongest gunnies."

years of war from 1775 to 1782, its average annual sale was only 15,019 bags. This paradox is explained by the prohibition of the export of saltpetre from England in times of war. It is therefore natural that the profits of the Company's saltpetre trade should fluctuate in different years. The Company's export of saltpetre to England brought a profit of £5,381 in 1776. But its sale for the next three years was attended with loss. Even when normal condition had been restored with the conclusion of peace in 1783, the saltpetre trade was far from profitable, for we find the Court of Directors writing on September 21, 1785 that saltpetre had "for many years past been a losing article of our trade." But apart from all considerations of profit, saltpetre was useful as ballast in the export trade to England, because cotton goods and raw silk which in point of value formed the greater part of the cargo, occupied only a very small portion of the tonnage.

Indigo.

Drugs, the last and the least important of the Company's exports, appear to have been, on the whole, unprofitable, but they were nevertheless carried year by year. A new article of export was indigo which was first included among 'drugs,'[76] but soon became an indepen-

[76] Thus in the Company's March sale in 1787, the following articles were classed as "drugs": cotton yarn, indigo, shellac, stick lac and sapan wood.

dent and important item of trade. Indigo first appeared in the Company's Bengal "investment" in 1780. From the beginning of the seventeenth century, indigo was one of the chief articles of export to England but the Company's supply was obtained not from Bengal where an inferior quality of this dye was produced but from Agra, Lahore and Ahmedabad. The competition of indigo produced in the West Indies led the East India Company to omit indigo from the annual list of its Indian exports in 1724. But about the year 1747, the cultivation of indigo was abandoned in Jamaica and other British possessions in the West Indies on account of the higher profits yielded by coffee and sugar cultivation. The British dyers had therefore to depend on the American colonies for their indigo. But this source of supply was stopped by the War of American Independence. Accordingly the demand for Indian indigo revived. In 1779 the Company entered into a contract with one Mr. Prinsep, then resident in Calcutta, to purchase indigo from him at very favourable prices. This induced other Europeans to take to the cultivation of indigo from whom also the Government made purchases. It suffered a heavy loss of £80,000 in these transactions but it succeeded in course of a few decades in placing Bengal in the first rank of the indigo-producing countries of the world. In 1810, out of a total

import of 6 million lbs. of indigo into Great Britain, more than 5 million lbs. came from Bengal.

Company's import trade unchanged in character.

With the exception of bullion, the import of which had ceased from the year 1757, the main constituents of the Company's imports into Bengal remained much the same as they were at the beginning of the eighteenth century. In their letter dated January 4, 1771, the Court of Directors remarked that the chief articles intended for export to Bengal during the ensuing season would be "cloth (*i.e.*, broad-cloth) 1161 bales, long ells 106 bales and 30 bales of broad long ells of 10 pieces each, copper 145 tons, lead 136 tons, iron 70 tons, gunpowder 1,270 barrels." The General Letters of the Court of Directors from 1771 onwards show that these constituted the chief items of the Company's exports to Bengal throughout Hastings's administration. It appears from the following extract from the letter of the Court of Directors dated March 16, 1784 that even during the last year of Hastings's rule the Company's exports from England remained practically unchanged: "The consignments to our several Presidencies in India and to China this season will principally consist of the following particulars, *viz.*—For Bengal, cloth 700 bales, long ells 75 bales, broad long ells 40 bales, copper 810 tons, lead

50 tons, iron 50 tons, steel 20 tons, small arms 3,000, musquets . . . also 50 tons of lead and 50 tons of iron."

Thus the chief items of import, excluding military stores, were woollen goods and metals.

Woollens and metals.

Woollen goods had a very limited demand in Bengal throughout the eighteenth century. A large consignment could not be easily disposed of and had often to be sold at a loss. On December 10, 1773 we find the Court of Directors writing to the Governor General in Council as follows: "No indents for woollens nor an account of remains has been received from your Presidency since those per *Rochford* received in October 1772. By that account of remains it appeared that 7,300 cloths and 4,800 pieces long ells were remaining unsold." Accordingly the Court of Directors reduced the export of woollens for the ensuing season. Unlike woollen goods, the trade in metals was generally profitable. In six years from 1783-84 to 1787-88 and 1789-90, the total profit on the Company's import of metals to Bengal was £4,917 while the loss on woollens during the same period was £26,462.[77]

[77] The following tables relating to the E. I. Company's profit and loss on woollens and metals imported to Bengal are given in the First Report of Select Committee of 1793 :

Monopolistic control over cotton industry and oppression on weavers partly removed.

We have already referred to what Hastings did to develop the raw silk and indigo industries of Bengal. He tried also to rehabilitate cotton-weaving, the staple industry in the province. This he did, not by direct government aid as in the case of raw silk and indigo but by removing some of the burdensome restrictions on the industry. From what has been said in the last Chapter it will be clear that the system of direct advances (*dadan*) to weavers out of the Company's funds by its own servants resulted in a practical monopoly of the supply of piece-goods for the Company's "investment" and caused great oppression on the weavers. More than a year before the beginning of Hastings's administration, the Court of Directors had

Year.		Woollens sold.	Net profit on first cost.	Net loss on first cost.
1783-84	...	£26,661	......	£4,885
1784-85	...	£64,391	......	£18,031
1785-86	...	£54,923	......	£3,328
1786-87	...	£29,270	......	£3,332
1787-88	...	£30,596	£347	......
1789-90	...	£34,410	£2,767	......

Year.		Metals sold.	Net profit on first cost.	Net loss on first cost.
1783-84	...	£79,222	£2,313	......
1784-85	...	£105,297	......	£12,986
1785-86	...	£91,809	......	£4,971
1786-87	...	£37,679	£1,140	......
1787-88	...	£50,417	£17,934	......
1789-90	...	£69,322	£1,487	......

realised the evils of this system and had observed in their despatch of April 10, 1771, "As freedom of trade is necessarily productive of its increase, the mode of providing your Investments by *Gomastahs*, *Delols* and *Pykars* must be a perpetual bar to that freedom......... we hereby order and direct that you revert to the former practice of providing Investments by contracts with *Dadney* merchants." Accordingly Hastings had the following resolutions passed in the Council on April 12, 1773:—

(1) "That all weavers and manufacturers shall, in future, have full liberty to work for whom they please, and shall on no pretence whatever, be obliged to receive advances against their inclination, either from the Company or from private merchants.

(2) "That we shall receive proposal, from all native merchants, who may be willing to contract with the Company, for any quantity of goods . . . of proper assortments for their investment, and to give satisfactory security for the performance of their engagements.

(3) "That we shall receive for ready money, whatever goods, of proper assortments may be tendered upon suitable terms."[78]

Hastings hoped that these measures would contribute to the freedom of trade and save the weavers from the oppression of the Company's *gomastahs*. To some extent this was

78 Colebrooke, Vol. III, p. 453.

so, but with the introduction of the system of ready money purchases, the price of the articles of export rose very high. Their quality also "was debased nearly in an equal proportion." The Court of Directors suspected that this was due not to the freedom of trade but to the dishonesty of the Company's servants, who had "the refuse goods of their own private trade" sold to the Company at exorbitant prices. Accordingly in their letter of March 3, 1775, the Court of Directors ordered that no goods should be purchased for ready money in future. They further directed that "all persons whatever in the Company's service, *or under our protection* be absolutely prohibited, . . . from trading in those articles, which compose our Investment, directly or indirectly, except on account of and for the East India Company, until their Investment is completed." Thus the Company's right of preëmption was authoritatively established and the above order was so interpreted as to exclude not only the Company's servants but also the indigenous merchants from any trade till the Company's purchases had been made. Moreover the provision of "investment" by contracts with Indian merchants was adopted only in a few cases.[79] The

79 Since the abandonment of the Contract system with the *dadni* merchants in 1753, the Agency system was the more general mode of providing the Company's "investment" up to the year 1782, though raw silk was furnished under contracts, chiefly made

Agency system continued to be the more general mode for the greater part of the cloth "investment" till the year 1782. The Company's monopolistic control over the cloth industry and the oppression on the weavers did not therefore come to an end. To quote an instance from the *Ninth Report of the Select Committee of 1783*, the Company's demand for the cloths manufactured in the Dacca district amounted only to a fourth part of the annual products in the year 1776. "It was at that time provided by agents for the Company, under the inspection of their commercial servants. On the pretence of securing an advantage for this fourth part for their

with the Company's own servants and other Europeans, from the year 1774, and the cloth "investment" of the Calcutta *aurungs* "was about the year 1776 put on the same footing."

Though sweating of labour was prevalent both under the Contract and the Agency system, contract with indigenous merchants was likely to cause less oppression on the weavers. These merchants had not the power of the Company behind them. They could not therefore oppress the weavers with impunity like the Company's *gomostahs*. This does not apply to the later Contract system, when the Company's European servants and their Bengali dependants and free European merchants became the chief contractors. It appears from O. C. 11, June 6, 1782 that in the provision of the cloth "investment" for 1781-82, Herbert Harris, the Mint Master in Calcutta, was the contractor in the *aurungs* Keerpoy, Hurripaul and Chandrocona, Henry Halsey in Sonamookhy *aurung*, and John Prinsep was the contractor for blue *baftas* and chintz. There were Bengali contractors only in the three *aurungs* of Santipur, Burron and Sooksagar. In the remaining *aurungs* "investment" was made by the Company's salaried agents. This system of contracts with the Company's Europeans servants had all the disadvantages of the Agency system but none of its merits.

masters, they exerted a most violent and arbitrary power over the whole. It was asserted that they fixed the Company's mark to such goods as they thought fit, . . . and disposed of them as they thought proper, excluding not only all the native dealers, but the Dutch Company, and private English merchants; that they made advances to weavers, often beyond their own ability to repay in goods within the year; and by this means having got them in debt, held them in perpetual servitude." It is true that in 1776 the Court of Directors gave up the Company's right of preëmption but it was still impossible for private merchants to compete with the ruling power whose object was, as the Board of Trade's letter of November 28, 1778, clearly shows, to *prevent* the foreign merchants and private traders from *interfering* with its purchases and with this end in view it gave its advances "early in the season." Moreover the Company's power to tempt the needy weavers with advances remained and the balance accumulating on the weavers gave the Company's servants opportunities to continue their oppression.[80]

80 One of the regulations for weavers issued by the Board of Trade on September 5, 1775, which empowered the Company's Agent to place peons on defaulting weavers and keep them under restraint, must have given his underlings numerous opportunities for oppressing the weavers. Compulsory advances to weavers for the Company's "investment," though less frequent, also continued in spite of Hastings's positive orders.

Government monopoly of salt.

But Hastings introduced the same system of production in the salt industry, which he was trying to abolish in the manufacture of cloth. His anxiety to secure more revenue easily explains this apparent inconsistency. Since the abolition of the Society of Trade in October, 1768 the salt trade in Bengal remained nominally free, but the revenue derived from it, fell far short of the Government's expectations. Accordingly Hastings resolved in 1772 to assume the management of salt for the use of the Company and the following Regulations were passed: (1) that the salt in every part of the province should be on the same footing; (2) that it should be made for the East India Company; (3) and that the *Khalaries* or salt pans in each district should be farmed out for five years. The farmers engaged to deliver the whole of their manufacture at a stipulated price to the Company's officers, who in their turn were to deliver it to the salt merchants, who had agreed beforehand to help the farmers with advances of money. This arrangement was modified in July 1777 by leaving the salt to the disposal of the farmers. In September, 1780, the farming system was replaced by the government agency system, under which the entire salt production of Bengal was to be carried on under the superintendence of the Company's agents, who were to give advances, to the

manufacturers. The salt thus produced was to be sold for ready money at fixed rates, published at the beginning of each season, by the Governor General in Council.[81] From the standpoint of revenue received, this agency system was superior to the farming system. The highest revenue realised under the latter was £229,192. But the revenue in the first year of the agency system, *i.e.*, in 1781, was £321,912, and it rose to £655,646 in the next year. It must be remembered, however, that this increase was brought about not so much by the new system itself as by the stoppage of the alternative source of supply; for, with the establishment of the state agency in 1780, the import of salt except on government account was entirely stopped. But whatever the reason may be, there is no doubt that this large increase in salt revenue for which Hastings took credit, must have caused serious hardship to the people and made the consumption of salt by cattle practically impossible.[82]

81 *Fifth Report*, Vol. I, p. 38.

82 From the table of prices of grain and salt at Patna, given in James' *Selections from the Correspondence of the Revenue Chief of Behar* (1781-86), pp. 167-9, it appears that the price of salt was then very high. According to this table, the price of the worst quality of a maund of Bengal salt at Patna in August 1782 was three rupees, whereas the worst quality of rice was then selling in the Patna *gaunjes* at the rate of 72¼ seers per rupee. In terms of rice therefore salt had more than twelve times its present price. The year 1782 may not be a normal year but the prices current that year indicates, at least roughly, the burden of salt tax at the time.

Oppression of salt manufacturers.

It is difficult to say also whether the farming system caused more oppression on the *molungees* *i.e.*, the manufacturers of salt than the other system. The farmer of salt had no permanent interest in their welfare. His object was to make as much money as he could out of the *khalary* *i.e.*, salt pan farmed to him because he might lose it at the end of a few years. Under such a state of things, it was natural that the poor *molungees* would be oppressed. But under the government agency system their condition does not appear to have been better. As the author of the *Ninth Report of the Select Committee* of 1783 writes, "Exclusive of the general effect of this (salt monopoly) and of all monopolies, the oppressions which the manufactures of salt called the *molungees*, still suffer under it, though perhaps alleviated in some particulars, deserve particular attention." Such oppression continued long after Hastings's administration. Beveridge in his *District of Backerganj* gives a glaring instance. He writes, "the incidents in the history of Manpura (a small island in the district of Backerganj) are not numerous. In 1218 B.S. (1811 A.D.) the manufacture of salt was introduced and caused so much oppression that 350 homesteads had been deserted by 1225 B.S. (1818 A.D.)."

Monopoly of opium.

The government monopoly of opium adopted by Hastings was apparently not so objectionable as the monopoly of one of the necessities of life like salt. During the middle of the eighteenth century the Mughal monopoly of Behar opium fell into abeyance but a fresh monopoly by the Company's servants at Patna for their own benefit began in 1761. Hastings replaced this by the government monopoly of 1773 under which the production of opium was farmed to contractors, who were to sell to government at a fixed price the opium they had manufactured. The system was at first annual but from 1781 it was for periods of 4 years. The opium contractor tried to make as much money out of his short lease as possible. He oppressed the *ryots* and cases were not rare when he forced them to cultivate poppy against their will. The oppression committed by the European opium contractors reminds us of similar oppression by the indigo planters in Bengal during the first half of the nineteenth century. Colebrooke quotes in his *Digest*, the following extract of a letter to the Provincial Council of Revenue at Patna, dated August 1, 1777: "It having been intimated to us by good authority that in or about the month of January 1776, a considerable tract of land in the neighbourhood of Ghya was covered with green corn . . . . that this corn was suddenly

cut down in order that the land might be prepared for the immediate cultivation of poppy." Hastings tried to stop such oppression but was unsuccessful. He did not aparently realise that whatever liberal reforms he might adopt, they could not succeed under the farming system. But even if he was conscious of this, the impecuniosity of the government rendered it imperatively necessary to raise revenue by all means possible—even by a system which was liable to so much abuse.

Attempt at *ryots'* protection defeated by farming of revenue.

It was the farming system which made Hastings's regulation for the protection of the *ryots* quite futile. The Regulations passed on May 14, 1772, which fixed five years as the period of farming for land revenue, made the following provisions for the security of the *ryots* :—

(a) "That the farmer shall not receive larger rents from the ryots than the stipulated amount of the *pottahs* on any pretence whatsoever."

(b) "That no *mhatoots* or assessments, under the name of *mangun*, *baurie gundee*, *sood* or any other *abwab* or tax, shall be imposed upon the ryots. And that those articles of *abwab* which are of late establishment, shall be carefully scrutinised, and at the discretion of the committee abolished, if they are found . . . . to be oppressive."

These two excellent measures completely failed, on account of the farming of land revenue. No one at that time was more conscious of the evils of the farming system than Hastings himself. The President and Council in their proceedings of May 14, 1772 observed :—

"To let the lands for long leases is a necessary consequence of letting them; the farmer who holds his farm for one year only, having no interest in the next, takes what he can with the hand of rigour. . . . He will be tempted . . . to augment his income by irregular exactions and by racking the ryots. . . . He has nothing to lose by the desertion of the inhabitants or the decay of cultivation. . . . The discouragements which the tenants feel from being transferred every year to new landlords are a great objection to short leases. They contribute to injure the cultivation and dispeople the lands." It is a pity that Hastings did not sufficiently realise that the above evils resulted, though not to the same extent, also from five years' farming which he adopted. In a minute on the Proceedings of the Council, dated March 8, 1775 Hastings defended the farming system introduced in 1772 on the ground that "the exact value of the lands was known only to the zamindars and old farmers, from whom it was not expected that they should part with their knowledge. To find out the real value, the most probable

method was to let them to the highest bidders." But the real reason for letting the lands to the highest bidders was the Company's pressing demand for money. The assessment of 1772 generally proved however too high and there were large unrealised balances of revenue. Many *zamindars*, who failed to bid sufficiently high, lost the control of their lands which were let by auction to the highest bidders. Others, anxious to retain their hereditary estates, contracted to pay more than they could realise from the *ryots*, and were either hopelessly overburdened with debt to meet the state demand or languished in prison for the arrears of their revenue. Such a state of things produced the worst possible consequences on the *ryots*. The *zamindars* and the revenue farmers fell back on the *ryots* and determined to get the utmost out of them. The serious agrarian revolt in the three adjoining districts of Rangpur, Dinajpur and Ghoraghat in 1783 gives an idea of the oppression under the farming system.

Changes in revenue administration.

Apart from the farming system which he inherited from his predecessors in office, Hastings adopted a series of measures which brought about a complete centralisation of the revenue administration of the province under British officials. Briefly speaking, the changes were as follows:—For some time after the grant of the *Dewani*, the collec-

tion of land revenue remained entirely in the hands of Indian officials, under the two *Naib Dewans* at Murshidabad and Patna. In 1769 English supervisors were appointed in each district to superintend the Indian revenue officers. In April 1771, a Controlling Committee of Revenue was constituted in Calcutta to supervise the work of the two Provincial Councils (which had been formed in 1770 at Murshidabad and Patna) and of the revenue officers of the Twenty-four Perganahs and the three ceded districts. On August 28, 1771, the Court of Directors announced their decision that the Company would "stand forth as Dewan." The *Naib Dewans* at Murshidabad and Patna were therefore removed and the Company directly assumed the collection of revenue and the administration of civil justice. In 1772, Hastings formed a Committee of Circuit consisting of himself and four other members to make the settlement of land revenue locally and the supervisors, henceforth called collectors, took charge of the revenue collection of the different districts. During the same year, the *khalsa* or Exchequer was removed to Calcutta from Murshidabad and the Provincial Council of the latter place was abolished. The Controlling Committee of Revenue formed in Calcutta in 1771 also ceased to exist when its power was taken over in October 1772 by the newly constituted Council of Revenue, consisting of the President and his

Council. The next year the European collectors were re-called and Indian *amils* appointed in their place. The immediate control over these officers was vested in the five Provincial Councils at Burdwan, Murshidabad, Dinajpur, Dacca and Patna while a new Committee of Revenue was formed in Calcutta to supervise the districts round that city. The final control over all these bodies lay, as before, in the President and Council sitting as a Council of Revenue. In 1781, Hastings brought about complete centralisation of revenue administration by abolishing the Provincial Councils and vesting their power in a Committee of Revenue in Calcutta consisting of four covenanted civil servants. This Committee was abolished when the Board of Revenue was formed in 1786. In 1781 European collectors were reappointed over various districts but they were given very little powers, the Committee of Revenue in Calcutta exercising minute control over revenue matters.

Judicial reforms of 1772.

These administrative changes did not bring any relief to the people but they influenced their economic life chiefly by facilitating the the judicial reforms of Warren Hastings. It has been said in the last chapter that the indigenous judicial system broke down after the battle of Plassey and till the year 1772, the regular course of

justice was practically at a standstill. In the latter year, Hastings established two law courts—civil and criminal, in each district, under the control of two Courts of Appeal—the *Sudder Dewani* and *Sudder Nizamat Adawluts.*

Criminal Courts.

In the district criminal court, a *kazee* and a *mooftee*, with the assistance of the *moulavies*, as expounders of the law, were appointed to try criminal cases, it being the duty of the Collector of the district to see that the decision passed was impartial. The *Sudder Nizamat Adawlut* was presided over by an Indian officer, having the title of *Darogha*, under the superintendence of the Controlling Council of Revenue at Murshidabad. Upon the abolition of this Council, the *Sudder Nizamat Adawlut* was removed to Calcutta and the *Darogah* was placed under the control of the Governor. In 1775, this Court was again removed to Murshidabad, where it remained for the next fifteen years, the *Nawab* having the entire control over the department of criminal justice.

Civil courts.

The district civil court was at first superintended by the Collector of the district. With the recall of the European Collectors from the districts in 1774, Indian *amils* were substituted for them as collectors and civil judges from whom an appeal lay in every case to the

new Provincial Councils. In 1780, civil and revenue jurisdictions were separated and district civil courts, presided over by English judges, were established within the jurisdiction of the different Provincial Councils. These Councils and later on the Collectors who superseded them, were placed in charge of revenue courts.

Effect of these changes.

The result of these reforms was that the administration of criminal justice remained practically in the hands of the puppet Nawab and his underlings and was anything but satisfactory while civil justice began to be administered by British officers. The civil courts were so few in number (only 18 had been established by 1781) that there was great delay in the disposal of suits and this often amounted to a denial of justice. Hunter rightly observes that "until 1793 civil justice was unknown in Bengal."

Estimate of Hastings's work.

Though the economic condition of Bengal under Warren Hastings was better than it had been during the period 1757-1772, it cannot be said that his rule restored the old economic prosperity to the province. More than four years after his departure from India, we find Cornwallis writing to the Court of Directors "that agriculture and internal commerce has (*sic*) for many years been gradually declining

and that, at present, excepting the class of *shroffs* and *banians* . . . the inhabitants of these provinces were advancing hastily to a general state of poverty and wretchedness."[83] It must be said that Hastings had to grapple with exceptional difficulties. He had to establish good government where there were only anarchy and disorder, and a system of good government cannot be established in a few years. He had to protect a helpless people, on the one hand, from the rapacity of the Company's servants, both Indian and European, who had long been accustomed to plunder them with impunity and, on the other, from the greediness of the Court of Directors, whose intention of establishing good government for the people of India was frustrated by their persistent demand for more and more money. In addition to the sums required for the territorial expenditure of the province, Hastings had to raise sufficient revenue from Bengal to provide for the Company's annual "investment" and to carry on costly wars with the French, the Dutch, the Marathas and the ruler of Mysore. This pressing need for money colours most of his reforms and explains the severity and exactitude with which he collected revenue. His unwillingness or inability to incur the cost of general recoinage led to the failure of his currency reforms.

[83] General Letter from the Governor General to the Court of Directors, dated August 2, 1789.

Though the primary aim of many of his administrative measures was to provide for the security and expansion of the Company's revenue, there were nevertheless some which aimed at the economic improvement of the people. It must be said to his credit that Hastings removed many of the abuses of the darkest period of the British Indian history when the English were in power without responsibility. Though the spirit of monopoly and coercion dies hard, Hastings succeeded to some extent in improving the lot of the poor weavers and other manufacturers. He removed also some of the restrictions on inland trade and tried his best to promote the industries and foreign commerce of the country. Circumstances prevented him from carrying his efforts to their logical conclusion, but it must be admitted that most of the economic reforms of Cornwallis would not have possible without the long and arduous work of Warren Hastings.

CHAPTER IV.

AMELIORATIVE MEASURES OF CORNWALLIS 1786-1793.

Continuation of Hastings's reforms and independent measures.

With the exception of the campaigns against Tipu, Cornwallis's government was one of peace. He was therefore able to devote the greater part of his time and energy to a series of economic and administrative reforms, and thus continue the work begun by Hastings. He also initiated independent measures of his own. Cornwallis had opportunities and freedom of action which Hastings never enjoyed. The latter was powerless against the majority of his Council, but the India Act of 1784 had considerably increased the powers of the Governor General who could, in cases of emergency, override his Council. Cornwallis's high rank and influence in England enabled him to get his own terms from the Company and he could force upon the Court of Directors improvements for which his predecessors had struggled in vain.

Stoppage of jobbery and corruption in the Company's service.

It was possible only for such a person to stop the jobbery and corruption which had become rampant in the Company's service. Cornwallis definitely refused to pay any attention to the repeated requests of influential persons in England, including the Prince of Wales, for appointments for their incompetent proteges. In addition to this firm stand against nepotism, he took specific steps to introduce purity in the Company's administration. The chief cause of corruption was the inadequate salary of the Company's servants in comparison with their responsibilities and opportunities for illegal gain. When Shore[1] first joined the Company's service in 1769, he was appointed in the Secret (Political) Department. Though the post was a more responsible one than that of a mere clerk, his monthly salary was 8 current rupees only. Clive had tried to stop private trade by the Company's servants and to increase their income by dividing among them the profits of salt monopoly, but the Court of Directors cancelled the scheme. The result was that the old abuses continued till the days of Cornwallis, the chief source of

1 Shore was much annoyed at Clive's reforms which reduced the opportunities for extra incomes of the Company's junior servants. In his early letters Shore refers to Clive as one "of infamous memory"; see *Memoir of the Life and Correspondence of John Lord Teignmouth,* Vol. I, p. 26.

income of the Company's civil servants being their participation in trade. In his despatch of August 14, 1787 Cornwallis writes that one Collector with a salary of 1,000 rupees a month (about £1,200 a year), had an income of at least £40,000. A part of this huge sum might have been legitimately acquired but a letter[2] from Cornwallis to the Right Hon'ble Henry Dundas written on the same day shows that a substantial portion was ill-gotten. Cornwallis realised that the only satisfactory method of preventing corruption among the Company's servants and of creating a tradition in the service was to give them salaries commensurate with their responsibilities. In their General Instructions of April 12, 1786, the Court of Directors approved of the idea of paying their servants engaged in the collection of revenue, partly by salary and partly by commission, the latter forming the greater part of their allowance. Cornwallis did not strictly conform to these instructions. He "considered the salaries of the collectors as the means of their subsistence, and the commission in the nature of a reward." Liberal salaries were given to the civil servants and

2 "I am sorry to say that I have every reason to believe, that at present almost all collectors are under the name of some relation or friend deeply engaged in commerce, and by their influence as collectors and judges of *adaulets,* they become the most dangerous enemies to the Company's interests, and the greatest oppressors of the manufacturers" Ross—*Cornwallis Correspondence,* Vol. I, p. 271.

the commission whenever allowed was to fall short of one per cent. on the actual collection. By these measures "and above all the spirit with which he inoculated administration (he) eventually purified it." This victory over corruption was no less renowned than Cornwallis's brilliant successes in the battle field.

Establishment of a regular police force.

The rooting out of corruption was only a small part of Cornwallis's reforms. The maintenance of law and order and the proper administration of justice, the indispensable functions of all civilised governments, were conspicuous by their virtual absence in Bengal when Cornwallis assumed the reins of administration. It has been said in the last Chapter that the new police system consisting of *foujdars* and *thanadars* which Hastings had introduced did not prove satisfactory and was accordingly abolished by him in 1781. The duties of police remained practically in the hands of the *zamindars* right up to the time of Cornwallis. It appeared to him on enquiries that the landlords "had misapplied the authority confided to them as officers of police." The numerous *pykes* or armed constables of the *zamindars* were accordingly disbanded and they were prohibited from having such establishments in future. By Regulation XXII of 1793 Cornwallis established a police force attached to each *thana* or police station under a

darogha and maintained it at the Company's expense. It was subjected to the control of the district magistrate. This new agency did not however prove less corrupt than the old one. Moreover the *darogha* with fifteen to twenty constables for every *thana*, with jurisdiction over three to four hundred square miles, was quite incapable of giving protection to the people. Yet Cornwallis's reform is important as it marks the beginning of the establishment of a regular police force by the Government.

Administration of criminal justice taken up.

Cornwallis had already taken steps to reorganise the administration of criminal justice. By his Regulations of December 3, 1790, he took away the Nawab's power of administering criminal justice and removed the *Sudder Nizamat Adawlut* to Calcutta, which was henceforth to be presided over by the Governor General in Council. At the same time there were established four courts of circuit, each under two British judges, assisted by Indians versed in Mahomedan law, for trying in the first instance people charged with criminal offences. This change in the *personnel* of the judges did not produce any good result. It appears from the *Fifth Report* of 1812 that even twelve years after this step, each judge on circuit had to try on an average at least

four cases a day.[3] Consequently the administration of criminal justice still remained unsatisfactory.

In 1793 Cornwallis made important changes in the administration of civil justice.

Reorganisation of civil courts.

Pursuant to instructions from the Court of Directors, the offices of collector, civil judge and magistrate had been united in the same person in 1787. Cornwallis regarded this arrangement as unsound. "If the regulations for assessing and collecting the public revenue are infringed," so runs the preamble to Regulation II of 1793, "the revenue officers themselves must be the aggressors and that individuals who have been aggrieved by them in one capacity, can never hope to obtain redress from them in another." Cornwallis took away the purely judicial powers of the Collector even in matters of revenue and vested them in the Civil Judge, who, in addition, was made the Police Magistrate with duties which a few years ago were performed by the district magistrate. In addition to this salutary change, Cornwallis instituted subordinate courts under (1) Registers who were English officers and (2) Indian Commissioners (*sudder ameens* and *moonsiffs*) for trying petty civil cases. Four Provincial Courts of Appeal at Calcutta, Patna, Dacca

3 *Fifth Report* (Firminger's Edition) Vol. I, p. 124.

and Murshidabad, intermediate between the district court and the *Sudder Dewani Adawlut* were established by Regulation V of 1793. These reforms removed to some extent the unusual delay in the disposal of cases which had made civil justice practically unknown in Bengal before 1793. But the number of pending cases still continued to be quite large.[4] Another achievement of Cornwallis in this field, was the establishment of the Cornwallis Code, laying down definite Regulations for the administration of civil and criminal justice, revenue and various other matters.

Two currency problems in Hastings's days.

All these measures for securing efficiency and purity in administration were far reaching in their effect on the economic life of the people. Without adequate security of property, there can be no incentive to production. In a regime of oppression, there can be no efficiency of work. Cornwallis recognised the importance of these fundamental measures. He also realised the urgency of currency reform, for the chaos in currency during Hastings's administration had been reflected in a similar chaos in the economic condition of the people. In spite of all his attempts, Hastings could not overcome either of the two chief currency problems. The first and the more important one was the establishment of the *sicca* rupee as the

[4] *Fifth Report*, Vol. I, pp. 115-6.

standard coin of the province. All the measures adopted by Hastings to achieve this object had been unsuccessful. The second problem which was the result of the adoption of bimetallism in 1769, was to maintain a fixed ratio of exchange between the gold mohur and the *sicca* rupee. This did not become a serious problem in Hastings's days. His policy of the suspension of gold coinage by his Regulations of May 29, 1777 to maintain the official value of the gold mohur was a step in the right direction. But he reopened the mint for the coinage of gold in 1780,[5] to relieve the stringency of rupees.

Discount on mohurs and appointment of Currency Committee of 1787.

When Cornwallis came to Bengal, it was the second problem which demanded his immediate attention. "It was not until the beginning of 1786" writes Sir John Shore in his minute of September 29, 1796 "that the batta on the gold mohurs from its augmentation became a subject of complaint, the quantity of mohurs in Calcutta had been annually increasing, and as few passed current beyond the limits of Calcutta, the accumulation exceeded the wants of the inhabitants." The *batta* for exchanging mohurs into rupees which was only 5 annas per Rs. 100 in March 1787 rose to Rs. 3 at the beginning of August of the same year. On September 25, 1787 Cornwallis

5 O. C. 22, September 22, 1790.

therefore appointed a "Committee for enquiring into the causes of the scarcity of silver coin."[6]

The Committee ascribed the scarcity of silver in Calcutta to numerous causes. It pointed out the increase in the remittance of revenue through bills for the last two years, during which period, out of a total remittance of $7\frac{1}{2}$ crores, $3\frac{3}{4}$ crores had been sent in bills, $1\frac{3}{4}$ crores in *sicca* rupees and the rest in gold. The stringency of silver in Calcutta had been very acute from April to August 1787. This the Committee found was mainly due to the drain of silver to the *aurungs* to provide for "investments," with no return of rupees to Calcutta in the shape of land revenue during these months. These were temporary causes of the scarcity of silver, but a more permanent cause was the general diminution of silver in the province on account of its reduced import from Europe for the last thirty years and its increased export to the other Presidencies and to China. Besides these, there was another cause, observed the Committee, "and perhaps not the least of those already adduced, of the diminution of the silver coin in Calcutta," *viz.*, "the too high value of the gold coin compared with that of silver."

The Committee's findings.

6 This was probably the earliest currency committee in India. For further information, see author's article on the subject in the *Modern Review* (Calcutta), December, 1925.

Its recommendations.

On the basis of the above findings the Committee made the following principal recommendations:

1. "To receive all the rupees that come into the hands of the Government throughout the country, milling and subdividing them into halves and quarters, adding an alloy equal to the English standard for silver coin.

2. "To wave (*sic*) the duty upon coinage for individuals.

3. "To let the gold mohurs in like manner be milled and subdivided into halves, quarters and eighths, increasing the size of the subdivision beyond that now known without altering the present standard.

4. "To inflict punishment upon shroffs who shall be convicted of giving anything less than sixteen new milled rupees for a new milled gold mohur.

5. To adjust the value of gold and silver coins "to the natural values" they bore to one another in India.[7]

These recommendations were considered by the Government in December 1787. Though nothing was immediately done, practically all the recommendations were ultimately given effect to by Cornwallis.

7 This proposal does not occur in the main body of the recommendations but was suggested in a note appended to the Report. The Committee was not very enthusiastic over this measure. It would, in its opinion, "tend as a temporary relief to the evil complained of".

The problem of *batta* became however quite serious in course of the next few months.

Further discount on mohurs and the petition of Calcutta merchants.

On April 10, 1788, the editor of the *Calcutta Gazette* remarked, "the tricks in raising the *batta* on gold call aloud for redress. The extortion which has prevailed in despite of every representation and even the scrutiny of the Committee of Enquiry continues to gain ground, and is now as high as six per cent." A few days later, the chief merchants and citizens[8] of Calcutta presented a petition to

[8] The editor of the *Calcutta Gazette* describes the petitioners as "respectable mercantile gentlemen". Their names given below from O. C. 6, April 16, 1788 show that out of 31 only the last seven were Bengalees.

1. William Farquharson
2. John Redhead
3. David Colvin
4. William Fairlie
5. Alexander Colvin
6. John Moubray
7. R. S. Perreau
8. John Palling
9. Charles Cockerell
10. G. U. Lawtie
11. John Fergusson
12. John Bayne
13. Philip Delisle
14. Burgh & Barber
15. Robert Graham
16. William Finney
17. Joseph Baretto
18. Philip Leal
19. Philip D a' Cruz (Evidently these three were Luso—Indians; see Campos—*History of the Portuguese in Bengal*, p. 188).
20. Peter Sukeas
21. Cachik Arrakel ("an Armenian merchant of the first rank and eminence in Calcutta"—*Selections from the Calcutta Gazette*, Vol. II, p. 271)
22. Astwasatoon Gregory
23. Stephen Mirza
24. Sarkies Johannes
25. Darponarain Tagore
26. Radhamohan Mallik
27. Julgal (?) Marna
28. Callychurn Haldar
29. Ramsunker Haldar
30. Callypersaud Dutt
31. Baranassy Ghose.

the government, saying that they lost 6½ per cent. in converting gold mohurs into *sicca* rupees which they had to remit to the *aurungs*. They rightly complained, "when our agents in the provinces (*i.e.*, divisions of the province) draw bills on us, in favour of the Committee of Revenue we are required to pay one half of these in silver which forces us to buy it and occasions an extra *batta* while our claims on Government are paid almost wholly in bank notes[9] and gold." They suggested therefore that the gold mohurs should be made current throughout the province "by the officers of Government being directed to receive them indiscriminately in all payments of revenue, at their authorised value of 16 *sicca* rupees."

Was gold to be received in the payment of revenue?

On that very day, April 16, 1788, the petition was considered by the Government, and the Secretary to the Governor General sent the following question to the members of the Board of Revenue: "Supposing an order is issued that all collectors shall receive the gold mohurs . . . at par, . . . could the *shroffs* take advantage of it to enhance, what the object of is to diminish, the *batta* (*i.e.*, premium) on rupees?" Two members of the Board, Thomas Graham and Richard Johnson, in their reply

9 These must have been the notes of the General Bank of India; see p. 238 *post*.

of April 25, 1788 expressed the opinion that the receipt of gold by the collectors would reduce the premium on rupees. But the latter observed that little gold would enter into circulation in the districts because it had too high a value and Indian officers of the district treasuries who now derived a profit from the receipt of different kinds of rupees would throw obstacles to the circulation of gold. He also added that unless the district treasuries undertook to exchange gold into silver coins, the merchants would still have to pay a heavy charge to the *shroffs* in converting gold into rupees in the *mofussil*. John Mackenzie, the third member of the Board, opposed the introduction of gold in the districts on the ground that "only one precious metal should be considered as legal currency." In his opinion, "the occasional enhancement of any one specie of metal, necessarily arise from the circumstance of there being more than one coin in circulation."

Bills payable in silver on collectors and receipt of gold in Calcutta.

With this difference of opinion among the members of the Board of Revenue, Cornwallis abandoned for the time any attempt to make gold the legal standard for the payment of land revenue in the districts. He brought relief to the merchants by reducing the *batta* on gold mohurs in Calcutta. On August 13, 1788 a public notice was issued "that persons want-

ing money for advances at the *aurungs* within the districts of Bengal will be furnished after the present month . . . with bills payable in silver on the collectors within whose jurisdiction the *aurungs* are situated, for such sums as are required or such parts thereof as the state of the provincial treasuries will admit of their paying. Gold mohurs will be received for the payment of these bills." It was also stated in the same notification that government officers in Calcutta would receive gold in all payments to the Company at the fixed legal value without "any *batta* or discount thereupon under any pretence whatsoever."[10] These measures appear to have been partially successful and towards the close of November 1788, Shawh Gopal Doss and Monohur Doss and twenty-four other *Kothiwals* (*i.e.*, indigenous bankers) of Calcutta sent an "address of thanks" to Cornwallis for the steps taken to reduce the *batta* on mohurs.[11]

Cornwallis also stopped the coinage of gold mohurs by an order of December 3, 1788. The next step taken by him was to reduce the seigniorage on silver from three *sicca* three pice per cent. to one per cent. from the begin-

10 I. O. Copy, Vol. XLVI, p. 129.

11 O. C. 29, November 26, 1788. It appears from the names of these *Kothiwals* and their signatures in vernacular that all of them were non-Bengalees. The Bengalees had no big banking house in Calcutta at the time. The Bengalee bankers were apparently mere *poddars* or money-changers.

ning of 1789.[12] Shortly afterwards, Cornwallis took another step in the right direction. The official rate of exchange was reduced to 15 *sicca* rupees and 1 *arcot* rupee[13] for a gold mohur and the following order was issued on February 18, 1789: "If any person or persons after the publication of this order shall extort or take directly or indirectly upon the exchange between the gold and silver coin in Bengal any *batta* or profit beyond that arising from the accustomed exchange of fifteen *siccas* and one *arcot* rupee for gold mohur of the Calcutta mint and full weight . . . such person or persons shall not be permitted to reside within any part of the Company's territories."

Prosecution of shroffs.

This order seems to have been enforced only in Calcutta and led to a series of prosecutions of the *shroffs* there for charging illegal *batta* on mohurs. Mr. Motte, Superintendent of Police, in his letter dated March 16, 1789 described how he carried one "Govinram Poddar to the Burrabazar and with tomtom declared his crime." Other prosecutions followed. At last Mr. Hay, Secretary to the Government, in reply to a petition from the *shroffs* of Calcutta intimated

12 Letter to the Court of Directors, December 22, 1788, para. 53.

13 It is assumed by all writers that the official rate of exchange, 5 *siccas* per mohur remained unchanged throughout. But it is ear that there was a temporary reduction. The old rate was owever restored by the year 1792.

that "an order for suspending the prosecutions has been passed with certain reservations."

Gratuitous coinage of silver but resumption of gold coinage.

The next step taken by the Government was to discontinue the seigniorage of 1 per cent. on the coinage of silver by a Regulation of February 20, 1790. But this hardly brought any relief in the shape of an increased supply of rupees. The war with Mysore was going on and draining Bengal of her silver. The Government was therefore compelled to reopen the mint for the coinage of gold. It was notified on July 21, 1790, "that from and after the 1st of the next month, August, gold bullion will be received . . . and coined without charge to individuals." Thus the policy of raising the value of the gold mohur by suspending its coinage was abandoned after a year and a half. The mohurs became relatively abundant and the *batta* on gold coins ruled high. The government was sorely perplexed at this turn of affairs.

Was the *batta* due to overvaluation of gold?

Harris, the Mint Master in Calcutta, in his letter quoted in the Public Proceedings of September 22, 1790, observed "that the present high *batta* in exchanging gold into silver is not caused by the disproportion of two metals, is evident because there is no *batta* on the Moorshedabad

and Patna gold mohurs which are known to the *shroffs* to be from 2 to 6 per cent. worse than those of the Calcutta coinage."[14] The public in Calcutta therefore demanded the renewal of the prosecution of the money changers who had been charging *batta* on gold coins.

Objections of Superintendent of Police to prosecution of *shroffs*.

G. C. Meyer, the Superintendent of Police, seems to have grasped the real cause of the currency trouble better than the currency experts of the Government.[15] In his letter of November 3, 1791, he declined to take any coercive measures against the *shroffs* on the following economic grounds. His first reason was that gold and silver coins should under the existing circumstances be treated "simply as commodities of which one was to be bartered for the other, and not as the standard or measure of value of other commodities." Consequently, "the exchange value or price of each would be determined by the same principles

[14] This is by no means a convincing argument. In those days the difficulty of transport was so great that the market ratio between gold and silver at Murshidabad or Patna might have been quite different from what it was in Calcutta. The *batta* on mohurs during the period April-July might be attributed to the seasonal demand for silver to make advances in the *aurungs*, but the persistence of the *batta* after that period was certainly due to the overvaluation of gold in Calcutta.

[15] Harris was Chairman of the Currency Committee of 1787.

which regulated the price of every other commodity." His second argument was that the adoption of coercive measures would "only aggravate the evil complained of. The quantity of fine gold in the mohur is confessedly not of equal value in the market to the quantity of silver in one *arcot* and fifteen *sicca* rupees." If the *shroffs* were compelled to convert the gold mohur into rupees at the official rate, it "would exchange for more silver in coin than it would purchase in bullion. The consequence of this would be that if the difference were considerable enough to bear the expense of freight, insurance, etc., etc., the silver would be exported to foreign markets and there exchanged for gold, which would be brought back in order to be exchanged for silver, which would be again exported as long as it yielded any profit." But even if it were not profitable to export silver, it would pay to melt it down and sell the bullion for gold coin. In any case, a large amount of silver "would be withdrawn from circulation, to which it could not be restored without a constant and heavy charge on the public Treasury, no part of the expence (*sic*) of coinage being paid . . . . . by individuals."

Notification of November 18, 1791.

These arguments convinced Cornwallis of the futility of coercive measures against the *shroffs* and in a Notification of November 18, 1791, it was declared that "in

future the sale of gold and silver coins would be as free and unrestrained as that of gold and silver bullion" and that the exchange rate between the mohur and the rupee would be "determined by the course of trade in the same manner as the price of every other commodity" coming into the market. The result was that the market rate of exchange deviated freely from the official rate of overvalued gold and the *batta* on gold mohurs continued, though not so high as in 1787. Cornwallis thought that the only way out of the evil was to extend the circulation of gold outside Calcutta along with silver and thus raise the monetary demand and value of the former. But this concurrent circulation of the two metals was hardly possible at the time, apart from the unsuitability of gold as currency in a land of low prices. Diverse kinds of rupees were current in the *mofussil* and it was difficult to fix any satisfactory ratio between such coins on the one hand and the gold mohur on the other. Cornwallis therefore turned his attention to the establishment of the *sicca* rupee as the standard coin for the entire province, as a preliminary measure for stopping the discount on mohurs.

Defects in coinage.

This involved two problems—one was to improve the method of coining and the other was the expeditious re-coinage of the different kinds of rupees then in circulation. The

method of coinage in Bengal was then very crude and imperfect. Even *sicca* rupees, as Shore pointed out in his minute of October 28, 1787, had the following defects: "They are not perfectly round, nor of the same size and are too thick, none of them have the inscription compleat (*sic*) and the edges of the inscription are too sharp . . . . hence it happens that the stamp certifies nothing but the standard fineness and the payments are made by weight." He therefore suggested "that rupees now to be coined be made perfectly round and the exact size of the die so as to contain the entire impression, that the letters of the impression be flattened, that the circular edge of the rupee be grained or inscribed and the *siccas* be made thinner." Cornwallis pointed out in his letter to the Court of Directors, dated November 2, 1789, that it was difficult at the time to get "skilful and experienced persons for conducting this delicate and important business (of coinage), as well as the proper implements for coining and milling the rupees in the European manner."

Issue of milled rupee.

But within a year Cornwallis tried to give effect to Shore's suggestions. In an advertisement of September 1, 1790 it was notified "that the new milled silver coin will be issued from the Honorable Company's mint, from and after the 10th instant. . . .

The *shroffs*, money changers etc., are positively forbidden to deface, cut or clip the edges of the new coin or to put any private mark thereon." The Mint Committee in their letter dated August 11, 1792 to the Governor General in Council however remarked that "the silver coin . . . appears to be very defective with regard to its size, thickness and impression. . . . From being very thick and not milled, it may be easily filed and drilled. . . . We beg leave therefore to recommend that in future the rupees be coined and milled in the same manner as the gold mohur."[16] It is thus evident that the milled rupee was issued not in September 1790, but some time after the above recommendation of the Mint Committee.

Re-opening of the three mints.

Far more serious was the recoinage of the variety of rupees in circulation. A single mint at Calcutta could not do this work for the whole province. Cornwallis therefore resolved to reopen the three mints at Patna, Dacca and Murshidabad. In a letter dated November 2, 1789 to the Court of Directors, he remarked that an additional temporary mint would shortly be established at Patna that year and that temporary mints

16 I. O. Copy. Vol. LI, pp. 351-352. Hunter's remarks (see *Annals*, p. 318) that "an issue of new milled rupees took place simultaneously at the four mints" from January 1, 1791 does not therefore appear to be correct.

would also be erected at Dacca and Murshidabad in the course of the next summer.[17]

Appointment of the Mint Committee.

The next important measure was the appointment of a Committee in May 1792 by order of the Governor General for superintending the mints and enquiring into the general state of coinage in Bengal, Behar and Orissa.[18] The chief instructions given to the Committee were:

1. To enquire particularly into the cause of the little progress which had been made towards the establishment of the general currency of the *sicca* rupee and to recommend such regulations as were best adapted for it.

2. To ascertain the causes of the *batta* or discount that had been frequently levied on the exchange of the gold mohur for silver and to suggest the best means of preventing this imposition in future.

3. To report whether it would be advisable to declare the gold mohur and the multiples thereof legal tender of payment in all

17 The author has not been able to find out the actual dates of reopening these mints. It appears however that this had been done by 1792. The mints were again closed by the year 1797. The mint at Murshidabad was abolished by Regulation LXII of 1795. The coinage of rupees at Patna and Dacca ceased on December 31, 1796 and January 31, 1797 respectively. (Thurston—*Note on the History of the E. I. Company's Coinage, J .A. S. B.*, 1893).

18 A very small portion of Orissa belonged to the Company at that time. The greater part was then in the possession of the Bhonslas of Nagpur.

public and private transactions throughout the three provinces, at the valuation at which they were then received and paid at the General Treasury *viz.*, at 16 *sicca* rupees per mohur.

4. To state their sentiments on the practicability and expediency of coining the gold mohurs, rupees and pice or either of these coins, with machinery of similar construction to that in use in the mints in Europe.[19]

Its recommendations.

The important suggestion of the Mint Committee that the actual *Hijra* date should be omitted on the 19th *sun* rupee, has already been alluded to.[20] In its letter of August 4, 1792 the Committee submitted thirteen "propositions for the general currency of the *sicca* rupee." The two most important of them were that after April 10, 1794 (*i.e.*, the last day of the Bengalee year 1200) only the 19th *sun sicca* rupees would be considered legal tender in all public and private transactions; and that up to that date, land revenue would be received in public treasuries not only in *siccas* but in other species of rupees according to their bullion value. In a letter of October 20, 1792 the Mint Committee submitted to the Governor General a table of rates showing this bullion value in terms of

[19] See O. C. 8, May 2, 1792 for the eight instructions of which four have been quoted above almost *verbatim*.

[20] See Chapter III *ante*, p. 125.

the *sicca* of 27 different kinds of rupees then current in Bengal. The thirteen propositions together with the table of rates were embodied in the Resolutions dated October 24, 1792 of the Governor General in Council and published in the *Calcutta Gazette* on the 1st of November next.[21]

Measures for rapid substitution of diverse currency by siccas.

The success of the scheme depended upon the rapid substitution of the *sicca* for the other rupees then in circulation. To encourage individuals to bring such coins to the Mint for recoinage into the standard rupee, they were given permission on August 31, 1792 to exchange their mint certificates[22] for 8 per cent. promissory notes. The divided authority between the Mint Master and the Assay Master which increased the delay in coinage was also done away with

21 These propositions together with the table of rates are given in P. P. October 1792, pp. 1823-1835. They are quoted also in the *Selections from the Calcutta Gazette*, Vol. II, pp. 70-73.

22 Documents given by the Mint Master in exchange of bullion, undertaking to give fresh coins after a specified date. It appears from a notice issued by the order of the Vice-President in Council dated January 22, 1799 that mint certificates were to be given by the Mint Master in exchange of gold bullion and they would be payable at the General Treasury in cash after thirty days or at the option of the proprietors receivable at par in payment of "the opium sold on the 20th ultimo." Another notice was issued by the order of the Governor General in Council on July 8, 1800 by which the Mint Master was directed to grant certificates for all gold and silver tendered to him. These certificates would "be payable at the General Treasury in cash thirty days after date together with interest at the rate of 8 per cent per annum."

and the entire charge of the mint was given over to the Mint Master by a resolution of the Governor General in Council on September 19, 1792. The process of coinage had become so expeditious by the end of October that the privilege of having promissory notes in exchange of mint certificates was withdrawn from November 17 of the same year.[23]

Wi... al of all rup... t *siccas* c... ıip.

At the suggestion of the Mint Committee, the Collectors of Rajshahi, Dinajpur, Purnea and Birbhum were asked by the Governor General in Council on December 6, 1792 to remit all rupees *siccas* to the Collector of Murshidabad was to send them to the Murshidabad ınt for recoinage, together with all rupees, except *siccas*, that might have been paid into his treasury. Similar orders were later on issued to the Collectors of the remaining districts to send all rupees except *siccas* to the nearest mint. The thoroughness and expedition with which this was done caused much immediate and wide-spread hardship on the people. The debased currency formed the greater part of the circulating medium of the province. Its withdrawal to the mints caused such a dearth of currency that the price of grain sank very low. The village *mahajan*,

23 General Letter to the Court of Directors from the Governor General in Council dated December 14, 1792, paragraph 73.

as Hunter remarks, received almost the entire crop of the cultivators in settlement of their debts at the harvest time.

Dearth of small coins.

The misery of the rural population was partly due to the scarcity of small coins.[24] With the withdrawal of rupees to the mints, the people fell back upon the small coins the supply of which naturally proved inadequate. Busy with the recoinage of old rupees, the government failed to add the quantity of such currency w[illegible]s-appear every year through wear a[illegible] other uses.[25] Mr. Caldecott, the Ac[illegible] General of Bengal, in his letter dated [illegible] 31, 1794 suggested that the Mint Master sh[illegible] coin all the Company's silver coming to the mint into halves and quarters of rupees. It is not known whether effect was given to this suggestion. For, we find Edward Hay, Secretary to the Government, writing, under the direction of Sir John Shore, to the Sub-treasurer on June 5, 1795 to pay "the fractions of a rupee" in copper instead of in small silver until further orders. This indicates that the shortage of small silver coins continued.

In this state of affairs, demonetisation of

24 Compare the scarcity of small coins in India in 1918 causing great hardship in rural areas.

25 Even to this day, small silver coins are strung into necklace by village girls and women.

rupees other than *siccas* from April 11, 1794, as had been notified in the *Calcutta Gazette* on November 1, 1792, would have intensified the shortage of currency. The date of demonetisation was therefore extended for another year and rupees of all sorts were received at the public treasuries throughout the province until April 10, 1795. In the meantime recoinage went on apace. Thus after repeated attempts for more than 18 years, the 19th *sun sicca* was successfully established in 1795 as the legal tender for the whole province, except in the outlying district of Sylhet where it became legal tender three years later.

19th *sun* rupee becomes legal tender.

From the time of Hastings, copper coins were "receivable and issuable" by the government "to the extent of ten rupees in every thousand." This did not apply to the payment of postage in which the receipt of copper pice beyond one anna was prohibited by a Regulation of September 1, 1785. A supplementary measure to the 19th *sun* rupee as the standard coin, was to limit the legal tender character of copper "to the fractional parts of one rupee with effect from April 11, 1794" by a Notification of September 6, 1793. A fortnight before this, another Notification had been issued repealing the Regulation of September 1, 1785

Copper declared legal tender up to one rupee.

and stating that copper coin would in future be received in payment of postage for any sum less than one *sicca* rupee.[26]

Reasons for introducing bimetallism in 1792.

Partly to relieve the temporary scarcity of silver and partly to stop the discount on mohurs, bimetallism was adopted in Bengal for the third time in 1792. It has already been said that Hastings stopped the coinage of gold and definitely rejected bimetallism in 1777. The mint was however reopened for the coinage of gold three years later. Gold coinage was again suspended in 1788 and resumed in 1790. Throughout the period 1777-1792 gold circulated as optional currency mainly in Calcutta. Even there, the market rate of exchange of gold and silver coins deviated, sometimes very widely, from the official rate. The attempt of Cornwallis to enforce the official rate by prosecuting the *shroffs* failed.

Consultation of November 23, 1792.

In O.C. 19A of November 23, 1792, the Governor General in Council ascribed the discount on mohurs to the following causes: "(1) To the circulation of the gold mohur being confined to Calcutta; and (2) To the coin being rather overvalued and to the greater part of the expence (*sic*) of refining gold bullion being defrayed by government." The first cause alone, the Council remarked,

26 O. C. 10, August 23, 1793. See p. 144 *ante*.

was sufficient to give rise to the *batta.* The discount which the *shroffs* in Calcutta could exact from the holders of gold coin who had occasion to make payment in the *mofussil* where the rupee was the only current coin, became, in the opinion of the Council, the standard *batta* in that town. The Council also admitted that the gold mohur was "somewhat over-rated" in Calcutta. As a result of this, "the returns from Madras and the Eastward were generally made in gold." There was at the time in the Calcutta mint one thousand *sicca* weight of gold.

Resolutions relating to gold currency.

With a view "to make the gold coin pass at its full value by facilitating and extending its circulation" and to discourage "the importation of gold in preference to silver" the Governor General in Council passed the following Resolutions on November 23, 1792: "(1) That gold mohurs of full weight (*viz.*, 17 annas *sicca* weight) coined in the Calcutta mint since the 20th March, 1769 shall be declared a legal tender of payment in all public and private transactions throughout the country at the rate of sixteen *sicca* rupees." This was slightly modified by Regulation XXXV of 1793 which declared as legal tender not only the gold mohurs of the above description but also what might be hereafter coined "in the mints of Patna, Dacca and Moorshedabad, and also their halves and quarters."

(2) That certain charges were to be imposed on gold bullion sent for coinage. The greater part of the expense of refining gold for coinage was at that time borne by the government. This encouraged the public to send gold in preference to silver to the mint. The second resolution was meant to stop this preference.

Harrison[27] writes that in this third attempt at bimetallism, the Government erred on the other side and slightly under-valued gold in terms of silver. This statement, however, is not confirmed by the papers in the Public Department of the Imperial Record Office. We do not come across any instance of the disappearance of gold from circulation, which would have been quite a striking phenomenon in those days and would have found at least a passing mention in the records of the period. On the other hand, we find Mr. Caldecott, the Accountant General of Bengal, in his letter[28] of February 21, 1794, alluding to the discount on mohurs, though he said that the *batta* had decreased since gold had been received in payment of

Was gold under-valued in terms of silver?

27 Harrison—Article on the Past Action of the Government of India with regard to Gold in the *Economic Journal* (London) Vol. III, p. 54.

28 O. C. 8, February 24, 1794. About two months later, we find the editor of the *Calcutta Gazette* writing on April 24, 1794 that "the *batta* on the exchange of gold mohurs into silver has risen during the last week to the rate of three rupees four annas per cent."

land revenue. He suggested in this letter that with a view to lessen the disproportion between gold and silver in Calcutta and to promote the circulation of mohurs in the *mofussil,* 50,000 *sicca* rupees in mohurs, their halves and quarters, should be sent to the Behar treasuries from time to time. "But it appears to me to admit of some doubt," he added, "whether the *batta* can be entirely done away with without making such an addition to the quantity of pure gold in the gold mohur, as is requisite to render its intrinsic value equal to the intrinsic value of sixteen *sicca* rupees."

Periodic increase of *batta.*

It is thus clear that Cornwallis could not do away with the discount on mohurs. This gave, on the other hand, considerable trouble to his successor in office. Shore realised that there were two distinct problems —one was the periodic rise of the *batta* in summer,[29] and the other was the prevalence of *batta,* though on a smaller scale, throughout the year. The *batta* reached its maximum in April, May and June. Rupees were drained[30]

29 The cause of this periodic increase of *batta* had already been discussed by the Currency Committee of 1787 (see *ante*) and Shore must have got this information from the Committee's Report.

30 The same thing is now being repeated in Bengal, year by year, from December to February, not for financing the manufacturers but for moving the jute crop. The *ryot* wants rupees in payment of his crop and although the rupees eventually come back to Calcutta, some time necessarily elapses in the process, causing

to the *aurungs* during these months as advances to the manufacturers both by private merchants and the Company. The receipt of public revenue was very small in summer and most of the rupees going to the interior did not immediately come back to Calcutta.[31] This gave rise to a temporary shortage of silver and the rupee commanded quite a high premium in summer. The double standard adopted in 1792 must have aggravated this evil. Payment in gold by the Government during the period of seasonal scarcity of silver was bound to increase still further the *batta* on gold mohurs. To obviate this difficulty. Shore proposed in his minute of July 13, 1795 that during the months of April, May and June, half of each disbursement in Calcutta by the Government must be in silver, the other half being in gold, until the circulation of the

a temporary scarcity of loanable capital. The Exchange Banks are unable to discount the exporters' bills with local resources and have to import funds by selling sterling. The exchange rises in consequence. In other words, the sovereigns are at a discount during this period of seasonal stringency like the gold mohurs in those days.

31 Thus on June 24, 1793, the Deputy Accountant General reported to the Governor General in Council that there was no silver in the General Treasury and that very little of it was expected from the district treasuries before the beginning of August next. The Governor General in Council, thereupon ordered the purchase of 1 lac dollars "at the rate of 213 *sicca* ruppes per $100 to be coined immediately into *siccas* to afford a temporary supply to the commercial agents in the vicinity of Calcutta until the arrival of remittance from Behar." See Letter to the Court of Directors, dated August 12, 1793, paragraph 126.

latter was more generally established. The Collectors of revenue were also to be empowered to purchase silver before-hand, if necessary, for payment during the summer months. These suggestions were accepted by the Governor General in Council and given immediate effect. The measures were successful and Mr. Meyers, the Accountant General, in his letter dated June 30, 1797 to the Governor General in Council observed that the average *batta* in the first six months of that year was much lower than that during the same months in the previous year.[32] This fall of *batta* was, in his opinion, "chiefly due to the provision of silver in January last as reserve for the usual season of scarcity, in conformity with the orders of the Governor General."

Causes of the permanence of *batta*—1. Government disbursements in silver in *mofussil*.

Shore was thus successful in checking the seasonal rise of the *batta* but the permanent discount on mohurs continued till the end of the century. In his minute of September 29, 1796, Shore ascribed this permanence of the *batta* to two causes, *viz.*, the limited circulation of gold and its official overvaluation in terms of silver. Though the circulation of gold had become more extensive, and two-fifths of the Company's "investment" was then made in gold, the manufacturers in some

32 For these rates of *batta*, see footnote 35, p. 236.

places still refused to take advances in that metal and the commercial agents had been compelled to ask for silver. In the salt department, the circulation of gold was extremely limited, as the advances to the manufacturers had to be made in very small sums. In the Army, commissioned officers received one half of their pay in gold, but non-commissioned officers and privates still received their pay entirely in silver. The necessity of providing silver for these various disbursements out of Calcutta was partly responsible for the permanence of the *batta* in that city.

2. Overvaluation of gold.

Could the *batta* be due to the overvaluation of gold? Shore argued that the existence of the "*batta* affords no certain conclusion as to" this overvaluation but "the observations on the produce of *pagodas*[33] in the Calcutta mint, and the remittances from Madras in that specie authorize a general conclusion as to the overvaluation of the gold *mohr* (*i.e.*, mohur), but afforded no certainty as to the rate of the overvaluation." It appears from Shore's minute that 100 *pagodas* contained the same quantity of pure gold as 22 37/192 mohurs equal to *sicca* Rs. 355 1 a 4 pies in Calcutta. But in Madras 100 *pagodas*

33 Gold coins in Southern India; see footnote 28 Chapter II, p. 63 *ante*.

exchanged for 365 *arcot* rupees which again were equal to *sicca* Rs. 339 7 as 2 pies. This indicates overvaluation of gold in Calcutta. But the rate of 100 *pagodas* to 365 *arcots* could not, in Shore's opinion, be taken as the exact ratio between gold and silver in Madras and hence the amount of overvaluation of gold in Calcutta could not be determined. He might have further argued that even if the ratio in Madras could be definitely ascertained, it would have been of little assistance in determining the relative value of the two metals in Calcutta in those days when transport was so difficult and its cost uncertain. Shore's other argument, *viz.*, the export of gold from Madras, is no definite evidence of the overvaluation of gold in Calcutta. As he himself observes later on in the same minute, "if the advantages of exporting gold and silver be nearly equal, *ceteris paribus*, gold from the superior facility of carriage, will be carried away." The export of silver[34] from Bengal to Benares, the Vizier's dominions and the Bombay Presidency to which he refers is a better index of the overvaluation of gold in Calcutta.

[34] According to Shore, the ascertained exportation of specie from Bengal in 1795-96 by way of Manjee (at the confluence of the rivers Ganges and Gogra, where the Company had established a customs house for collecting duties on goods passing between the Company's territories and the dominions of the Vizier of Oudh) was Rs. 23,75,991 out of which 23,61,991 was in silver. In the same year Bengal exported 35 lacs of rupees in silver to Bombay. See Shore's minute of September 29, 1796.

Silver monometallism the only effective remedy for *batta*.

Whatever might be the cause of the *batta*, its abolition was urgent even in the Company's own interest. Shore estimated in his minute of September 29, 1796 that the loss to the Company on account of the *batta* on mohurs was not less than 5 lacs of rupees per annum. In his opinion, the only effective remedy was "the establishment of one metal only in coin as a legal tender of payment in all transactions, public and private." The substitution of gold for silver was, according to him, impracticable and even if it was possible it would have caused great loss to the Government and the public. He therefore advocated a single silver standard on the following grounds: (1) Silver had always been considered the standard in the country ; (2) Considering the price of labour and the common necessaries of life in Bengal, the smallest denomination of gold coin, quarter mohur, was too high a monetary unit for general circulation.

Difficulty in adopting the remedy.

But there was one great difficulty in adopting the silver standard. Before the mohur was demonetised, the public should be afforded an opportunity of converting their mohurs into rupees at the official rate up to a notified date. The total quantity

of gold coins in Bengal at the time was calculated by Shore to have been 2 crores 45 lacs. At least 2 crores would, in his opinion, "be thrown upon the Treasury." It was impossible at the time to pay such a large sum in rupees. Silver standard was therefore out of the question. "A long time must therefore elapse," writes Shore in his masterly minute, "before we are in a situation to do this unless we are assisted by large supplies of bullion from Europe."

Changing the official ratio.

Shore next considered the proposal of altering "the proportions of the two metals circulating in coin in such a manner as may discourage the importation of gold and the exclusive preference to the exportation of silver." He objected to the reduction of pure silver in the *sicca* rupee on the ground that "to alter the standard would carry disorder through all the monetary transactions in the country. If therefore there be a necessity for altering either of the coins, it is the gold which must be altered."

Temporary disappearance of *batta*.

This tentative suggestion of lowering the value of gold does not appear to have been given effect to, and a fluctuating *batta* on mohurs continued almost up to the end of the century. On January 1, 1800 Mr. Meyers, the Accountant General, however, re-

ported that the discount[35] on gold mohurs which had risen to Rs. 4-3 annas per cent. in March 1796 had disappeared from September 1799. This was mainly due to the large importation of silver at the time. "The amount of silver only imported by sea within the last four months (was) near one crore of rupees or about one million two hundred thousand sterling."[36] This influx of silver by reducing its value at last brought to a parity the market and mint ratios of the two metals. Another reason was the increasing use of gold coins in the *mofussil.* But the disappearance of the *batta* was only temporary. It was impossible to find any remedy for this evil so long as gold and silver both continued as currency.

[35] A statement of the average rates of *batta* on Rs. 100 from 1796 to 1799 is quoted below from O. C. 50, January 7, 1800 :—

Months.		1796	1797	1798	1799
		Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
January	...	2 4 0	1 7 0	0 12 6	0 4 0
February	...	3 0 0	1 14 0	1 0 0	0 3 6
March	...	4 3 0	2 15 0	2 13 0	...
April	...	4 2 0	2 13 0	3 4 0	...
May	...	4 0 0	2 3 0	3 0 0	1 0 6
June	...	3 8 0	3 0 0	2 12 0	2 3 0
July	...	5 1 0	2 6 0	2 6 0	1 0 0
August	...	3 10 0	1 11 0	1 5 0	0 5 0
September	...	3 2 0	1 12 0	0 9 0	...
October	...	2 9 0	1 10 0	0 9 0	...
November	...	2 11 0	1 5 0	0 4 9	...
December	...	1 7 0	1 2 0	0 4 0	...

[36] *Calcutta Gazette,* November 28, 1799.

The adoption of bimetallism by Cornwallis thus appears to have been a retrograde measure. But the recoinage of all other rupees into the standard 19th *sun sicca* was impossible without the aid of some other circulating medium, either paper or gold, to do the money work of the country in the meantime. We have seen that government paper currency attempted by Hastings proved abortive. The use of gold as currency along with silver was thus a matter of necessity rather than of choice with Cornwallis. In fact, such was the dearth of specie that his government paid for some time all salaries or fixed disbursements over £1,200 a year half in Company's paper and half in cash.[37] The editor of the *Calcutta Gazette* considered it an event of sufficient importance to notice in his paper of October 8, 1789 that "the salaries of all Civil Servants for the last month have been paid from the Treasury in silver."

Bimetallism a matter of necessity with Cornwallis.

The highly fluctuating value of the Company's paper made it unsuitable as currency. When Cornwallis first came to India, the Company's credit was so low that its bonds bore a discount of 25 per cent. On September 30, 1789 they sold at par and commanded a small pre-

Company's paper not suitable for currency.

37 Hunter—*Annals*, p. 292.

mium early in November of the same year.[38] Four months later, we find the Chiefs of the Agency Houses in Calcutta writing on March 12, 1790 that the Company's paper which bore a premium "so lately as November last, now sells, when it can at all be sold, at discount of from 10 to 12 per cent."[39] Apart from such violent changes in value, the difficulty of converting into cash must have made them very unsuitable as a circulating medium.

Government patronage to General Bank.

To rehabilitate the Company's paper and incidentally to provide convenient circulating media in the form of Company's paper and bank notes, Cornwallis extended government patronage to the General Bank of India, the first European bank in this country which was organised on the principle of limited liability.[40] The Bank began its work on June 1, 1786 and soon met with a considerable measure of success. In January 1787, its notes were declared acceptable in payment of government dues. This privilege was secured by lending to the

38 Ross—*Cornwallis Correspondence*, Vol. I, p. 448 and *Selections from the Calcutta Gazette*, Vol. II, p. 230.

39 For further information about this letter of the Chiefs in which they refer to the acute monetary stringency in Calcutta at the time, see author's article on *The Economic Theorists Among the Servants of John Company*, in the *Economic Journal* (London), March, 1925.

40 The attention of the writer to this special feature of the Bank was first drawn by Mr. H. C. Sinha, Lecturer, Calcutta University.

government 20 lacs of current rupees at a favourable rate of interest against which notes could be issued by the Bank. This alleviated the currency difficulty in two ways: firstly, by providing a convenient paper currency which was almost as good as legal tender, and, secondly, by holding as reserve against its issue Company's paper and thus rehabilitating the value of such securities. But the Bank was dissolved on March 31, 1791 on the expiry of a period of five years for which it was originally started. The financial unsettlement of the province on account of the Mysore War and the withdrawal of government patronage[41] made it difficult to continue the operations of the Bank after the stipulated period.

Bengal Bank and the Bank of Hindostan.

There were two other European banks in Calcutta at the time, the Bank of Hindostan and the Bengal Bank. As has been said in the last Chapter, these banks issued notes of their own which, though not formally accepted by the government, had a fairly large circulation in the town. They invested also in government

[41] The government debt to the General Bank was "completely discharged by the middle of September" 1788, and the resolution prohibiting government officers "from receiving the notes of any bank on the public account" was given effect to on October 1, 1788. See Letter to the Court of Directors, dated November 6, 1788, paragraph 264. For fuller details of the General Bank, see H. C. Sinha—*Early European Banking in India*.

securities like the General Bank. The purchasers of Company's paper in those days, as observed by Hastings,[42] "never extended beyond the English servants of the Company and the European inhabitants of Calcutta; and to these may be added a few, and a very few, of the old Hindoo families at the presidency." After the disappearance of the General Bank, these two European banks became the chief factors in maintaining the value of the Company's paper.

Run on the banks which apply for loan from Government.

Unfortunately for the Government, there was a severe run on both the banks during the financial panic in Calcutta in November 1791.[43] For eight days, from the 20th to the 27th of November, the Bengal Bank paid out more than 8 lacs of *sicca* rupees. But the run continued and on the ninth day the Bank was compelled to suspend payment and to apply to the Government for a loan of 5 lacs of rupees in specie for three months at the rate of 12 per cent. per annum[44] upon depositing Com-

42 Warren Hastings—*The Present State of the East Indies*, (London) 1786, p. 12.

43 The immediate cause of this panic was the news of the surrender of Lieutenant Chalmers to Tipu's forces at Coimbatore on November 3, 1791. See Ross—*Cornwallis Correspondence*, Vol. II, p. 73.

44 By a Regulation of March 28, 1780, 24 per cent per annum was declared to be the legal rate of interest when the principal did not exceed Rs. 100, and 12 per cent per annum when the principal exceeded Rs. 100. By Regulation XV of 1793, the legal

pany's paper to the full value as security. A similar application was made on the same day by Mr. T. Redhead of the Bank of Hindostan for a loan of $1\frac{1}{2}$ lacs for two months on the same terms.

Applications granted.

In spite of the positive orders of the Court of Directors not "to engage in any pecuniary transactions with the private banks" of this country, the Governor General in Council, in their minute of November 29, 1791 supported the applications, mainly with a view to maintain the value of the Company's paper. In their opinion, it was absolutely necessary at the time that the Company's "paper should not only bear as high a circulating[45] value as possible, but that it should be considered as substantial security by all those who have any dealings with government. The rejection of the applications before us would tend to depreciate government securities." Their two chief arguments were: (1) that "a sudden diminution . . . of the notes issued by both banks . . . which in most mercantile transactions (had) been usually considered as cash, would, by enhancing the value of the remaining actual specie enable the money-holders to raise the nominal discount on paper (*i.e.*,

rate of interest on all loans contracted after December 31, 1792 was fixed at 12 per cent per annum.

45 Evidently referring to the peculiar use of the Company's paper as currency in those days.

Company's paper) to an enormous degree;"[46] and (2) that the forced sale of the Company's paper which the banks offered to deposit with the government would bring about an immediate fall in the price of such securities. The applications of the banks were therefore granted on their depositing Company's paper 25 per cent. above the advance they required.

Failure of the Bengal Bank.

The loan was immediately advanced to the Bank of Hindostan which successfully passed through the crisis and soon repaid the loan in full.[47] The Bengal Bank was, on the other hand, financially so embarrassed that it did not survive the panic. In his letter of November 30, 1791, Mr. Mee of the Bengal Bank thanked the Government for the liberal offer of assistance which, he added, his present situation would not allow him to accept. Thus on the eve of Cornwallis's currency reform, the Bank of Hindostan was the only European bank in Calcutta. Although there was no rival institution to raise

46 The Governor General in Council were simply repeating the erroneous theory of John Locke that decrease in the quantity of specie in circulation raised the rate of interest. There are numerous references to this theory in the Company's records of the period, *e.g.*, in the letter of the Chiefs of the Agency Houses dated March 12, 1790. See also writer's article on *The Economic Theorists Among the Servants of John Company* in the *Economic Journal* (London), March 1925. The second argument of the Governor General in Council about the depreciation of securities was quite correct.

47 General Letter to the Court of Directors dated January 25, 1792, paragraph 63.

any objection, Cornwallis could not extend to it government patronage or recognise its notes in the face of the positive prohibitory orders of the Court of Directors. The result was that no currency reform could be effected through the help of bank notes. The only important service which the European banks rendered in those days was the financing of foreign trade.

Banks necessary for revival of trade.

These credit institutions were necessary for facilitating trade which was recovering after the temporary set back during the War of American Independence. Apart from this, the Company's exports and imports in Bengal did not undergo any important change. The prime cost of the Company's exports from Bengal and the sale proceeds of the Company's imports into the province during the period 1786-87 to 1790-91 were as follows:

Year.	Imports Current Rupees.	Exports Current Rupees.
1786-87	... 7,20,795	81,48,200
1787-88	... 8,18,945	72,06,524
1788-89	... 12,89,548	82,80,717
1789-90	... 10,73,259	78,57,288
1790-91	... 16,13,706	99,11,598[48]

48 These figures are taken from Public Miscellaneous Papers from Court, 1788-89, and from the General Letters from Court, Vol. 38. The figures should be used only for a rough comparison as the imports refer to the actual sale prices in Bengal, whereas the exports refer to their prime cost.

Though the average annual value of the exports and imports was lower than in Hastings's days, the main items of trade remained much the same.

Chief imports.

Woollen goods and metals formed, as usual, the chief imports from England. Even as late as July 1795, we find the Court of Directors writing that the exports to Bengal that season would be: "cloth (*i.e.*, broad cloth) 449 bales, long ells 50 bales, broad long ells 40 bales, embossed cloth 6 cases, embossed long ells 17 cases, copper 990 tons, lead 300 tons, iron 300 tons." It appears from the General Letters of the Court of Directors that the Company imported woollen goods to Bengal, year after year, though this import was often unsaleable at a profit. Thus in their letter dated March 25, 1791 the Court of Directors said, "in regard to woollens we are sorry to observe the very evident decline of this branch of our concerns, both in your provinces and on the Malabar coast." In course of the same letter they remarked, "rather than suffer them (woollen goods) to remain perishing on hand and incurring a weight of accumulating interest, we consent to your disposing of them even at prime cost." The case was otherwise with regard to metals which generally sold at a profit.[49] The only important change in the metal trade at the time of Cornwallis was the

[49] See footnote 77, Chapter III, page 181, *ante*.

large import of English copper in 1790 which caused a temporary glut of the product in Bengal. A new import that year was a few tons of Cornish tin with a view to "find a vend in India."[50]

Inventions in English cotton manufactures.

Another new import in Cornwallis's days which had later on far-reaching effects on the economic life of Bengal, was English cotton manufactures. As is well known, a series of inventions during the latter half of the eighteenth and the first quarter of the nineteenth century turned England from an industrially backward country into "the workshop of the world." Even as late as 1764, cotton weaving was an insignificant industry in England, her cotton exports being one-twentieth of her woollen exports. Moreover, these cotton goods were mixed stuffs, half cotton and half linen. The English spinners of those days could not produce cotton yarn sufficiently strong to be used as warp, and consequently linen thread had to be used for this purpose.[51] The invention of Arkwright's water-frame in 1768 removed this difficulty. It produced

50 Letter from Court dated March 19, 1790.

51 There is at present a similar difficulty in India in weaving *khaddar* (homespun cotton). Handspun yarn is not generally strong enough for the warp and mill made yarn has often to be used for that purpose.

cotton yarn suitable for warp, so that pure cotton goods could be made in England. One year before this, Hargreaves had invented his spinning jenny, increasing elevenfold the power of the spinner. In 1775, Crompton combined the principles of the jenny and the water-frame and evolved a machine called the mule. This could spin yarn so fine that the manufacture of muslin became possible in England. Lastly, there came Cartwright's power loom in 1784. These inventions, with their subsequent improvements, made England the largest cotton manufacturing country in the world.

First sample of English muslin sent to Bengal in 1783.

One year before the invention of the power loom, the first sample of English muslin was sent to Bengal. In their letter of March 1, 1783 the Court of Directors said: "We transmit you by this conveyance three small boxes containing musters of some muslins, the produce of a manufacture that has lately been set up at Manchester. . . . The great degree of perfection to which this manufacture is already arrived, although at present only in its infant state, the prices which are 20 per cent. under our own . . . cannot but alarm us for so important a branch of our commerce. . . . We doubt not therefore but you will also exert yourself to the utmost in causing the manu-

facturers of Bengal to pay every attention not only to an improvement of the fabric of muslins but also to a reduction of the prices, as (on) both the one and the other will depend very much our future success in this article."

Rapid improvement of English cotton goods.

Unfortunately, no attempt was made to improve the quality of the cotton fabrics of Bengal, while the English manufacturers were making rapid improvements in their own wares. In their letter of August 20, 1788, the Court of Directors observed: "By the great ingenuity and persevering industry of the British manufacturers, the article of muslins in the ordinary and middling assortments is at length brought to that degree of perfection that there is every reason to apprehend a sufficient supply of the best Surat cotton will enable them to meet the Indian white piecegoods of the above description in the foreign markets." In the course of the same letter the Court of Directors also observed that the duty and freight on the Company's import had already enabled the English manufacturers to undersell Indian cotton goods in the British market. In its reply to the British manufacturers in 1788, the Company also observed that 85 per cent. of the calicoes and 60 per cent. of the muslins imported by the Company was re-exported from England at the time.

Why the Company did not protect the indigenous industry.

The Company considered the trade in Indian cotton goods, especially in coarser stuffs, as doomed and did not, or rather could not, take any step to protect the national industry of Bengal from the competition of its new rival. It was not even possible to reserve for the Bengal industry its foreign market. It was hardly prudent for a private corporation, enjoying special trade privileges from the British Parliament, to antagonise the manufacturing interest in England by restricting the import of British cotton goods to India. In fact, the Company looked at the question of Lancashire competition, not from the point of view of the ruling power in Bengal, but solely from the standpoint of its own pecuniary interest as a trading body.

Enquiry whether Manchester goods would sell in Bengal.

In their letter of March 28, 1788 the Court of Directors enquired whether Manchester goods were "likely to answer for sale" in this country. They even went further and a few months later in compliance with the wishes of the (English) manufacturers came to a resolution of importing 500,000 lbs. weight of Broach and Surat cotton or cotton of the produce of Bengal of a similar quality.[52] The Company took these steps, not with the deliberate intent of injuring the

52 Letter from the Court of Directors, dated August 20, 1788.

cotton industry of Bengal, but simply in the interest of its own dividend. Woollen goods did not sell in this country and the Court of Directors enquired whether English cotton goods would have a profitable market in India. They looked at the export trade of Bengal mainly as a channel for the remittance of surplus revenue. As there was the competition of British goods in the English and other foreign markets, the Company considered it good policy to export raw materials in lieu of Indian manufactures. Moreover, such a policy which would be regarded as quite 'patriotic,' would also help to stop public clamour in England against the Company's monopoly of trade in India.[53]

Import of British cotton goods insignificant up to the end of the Napoleonic Wars.

But the Company's anxiety to push the sale of Manchester goods did not immediately affect the cotton industry of Bengal to any serious extent. Cartwright's power loom was imperfect in many ways and its wider use in England became possible only after Horrocks's improvements in 1813. The import of British cotton goods to Bengal thus continued to be insignificant right up to the downfall of Napoleon. In 1813-14 the import

[53] With the same objects in view, *viz.*, to remit surplus revenue and to secure public support in England to its trade privileges, the Company encouraged the production of raw silk and indigo which were raw materials of British industries, at a great financial sacrifice. See Chapter III, pp. 176 and 178.

of British cotton piecegoods to Bengal amounted to Rs. 471,000 only. The import of British cotton yarn and twist began twelve years later when its value was 1½ lacs of rupees.

Cotton exports of Bengal uninterrupted till 1793.

Two important changes in the cotton trade of Bengal took place during the administration of Cornwallis. One was the loss of the English market, a small one since the passing of the Acts of 1700 and 1720, and the other was a reduction in the export of muslins to France after the outbreak of the French Revolution. These fine stuffs had a large sale in the Court of Versailles. The French Revolution practically ruined this trade. Apart from these changes, the Company's export of Bengal cotton goods continued more or less uninterrupted during the administration of Cornwallis. Excepting the temporary fall in 1788 and 1789, which was probably due to the famine[54] of 1788 and its after effects, the sale value of the Company's export of Bengal piecegoods exceeded one million pounds[55] per annum throughout the administration of Cornwallis. This trade continued also to be

54 This was the second great famine in Bengal. Though not so widespread as the famine of 1770, it was very severe; mothers sold their children; see *Memoir of the Life and Correspondence of John Lord Teignmouth*, Vol. I, p. 156.

55 For the quantity and value of Bengal piecegoods exported from 1771 to 1809-10, see Milburn—*Oriental Commerce*, Vol. II, pp. 234-235.

in general profitable during the period. The five half yearly sales in London from March 1788 to March 1790, of which there is a detailed account in the Commercial Letters from the Court of Directors, show that Bengal piecegoods sold at a profit during these two years and a half.[56] But the war with France soon made this trade unprofitable. In their letter dated July 2, 1794, the Court of Directors referred to the low prices realised by the last consignment of piecegoods from Bengal, in spite of their good quality, "on account of the lack of competition between the home and foreign buyers."

Cotton spinning.

Cotton yarn was a small item of export to England, though cotton spinning was then a more important industry than it is at the present day. In the Public Proceedings of April 12, 1773, there is a reference to the spinning of yarn in the villages near Santipur. This was the special occupation of a class of women called *Katanis*. They produced enough yarn to supply the needs of the weavers of Santipur. There is a detailed account of cotton spinning at Dacca in Taylor's *Topography* which has been discussed elsewhere.[57] In the Dinajpur District Records[58] there is an

56 For the Company's profit in these sales, see p. 260, *post*.

57 In the author's article on the *Dacca Muslin Industry* in the *Modern Review* (Calcutta) April, 1925.

58 Vol. I, pp. 227-228.

interesting account of cotton spinning in 1789. Enough yarn was then produced to supply the needs of the weavers of the district. In his letter dated May 26, 1789, Mr. Hatch, the Collector of Dinajpur, says that "thread is generally spun by indigent women who make spinning their profession and by others also who apply incidentally to it." Colebrooke also writes that "the only employment in which widows and female orphans, incapacitated for field labour by sickness or by their rank can earn a subsistence is by spinning, and it is the only employment to which the females of a family can apply themselves to maintain the men, if these be disqualified for labour by infirmity or any other cause. To all it is a resource, which even though it may not be absolutely necessary for their subsistence, contributes to relieve the distress of the poor."[59]

Export of cotton yarn to England stopped.

These considerations did not weigh with the Company. In their letter dated April 12, 1786, the Court of Directors said, "in addition to the circumstance of this article being a losing one, we have for certain prudential reasons[60] struck the same out of our list of investment and

59 Colebrooke—*Remarks on the Husbandry and Internal Commerce of Bengal*, p. 124.

60 Probably the chief *prudential* reason was to avoid the hostility of the British cotton manufacturers who only two years later "solicited of (British) Government the laying the Company's

desire that no more may be sent to us on any account. We have also prohibited the importation of it in private trade." In the March sale of 1787, 6,114 lbs. of cotton yarn were sold at 2s. 3¾d. per lb. and in the September sale of the same year 31,856 lbs. were sold at 3s. 3¾d. per lb.[61] But the export of cotton yarn from Bengal appears to have been discontinued in the course of a few years. It is not known whether the Company's loss in this trade was partly due to the imposition of the heavy duty to which Colebrooke refers in the following passage: "Large quantities of linen and woollen yarn are admitted, duty free, from Ireland. If it be not considered as injurious to the manufacturing interest of Great Britain to permit the importation of linen and woollen yarn, why discourage that of cotton yarn from Bengal by a heavy duty, besides all the other impediments which we have so often occasion to notice?"[62]

Raw silk.

The export next in importance to cotton goods was raw silk. It has been said in the last Chapter that the Company's trade in this article was unprofitable in the days of Hastings. It was supplied under contracts chiefly with the

trade therein (in muslins and calicoes) under . . . restrictions." See Letter from the Court of Directors, dated August 20, 1788. It does not appear that the export of cotton yarn was stopped in the interest of the indigenous weavers.

61 Letter from the Court of Directors, dated March 28, 1788.

62 Colebrooke—*Remarks on the Husbandry etc.*, *op. cit.*, p. 124.

Company's own servants and other Europeans from the year 1774. This led to corruption which was stopped by Cornwallis by reverting to the Agency system in 1787-88. It made a definite improvement and in the September sale of 1787, 97,810 (great) lbs. of raw silk were sold at an average price of £1 4s. 9d. per lb. by which the Company gained £9,728. Six months later, in the March sale of 1788, 73,329 (great) lbs. were sold at a profit of £10,726. This was partly due to the rise in the price of raw silk in England "on account of the almost entire failure of the last season in Italy."[63] But in the September sale of 1788, the Company lost £1,195. This was probably due to the high price of raw silk in Bengal during the famine of 1788. But at the three next half yearly sales, the Company's raw silk sold at a profit.

Reduced demand of silk in England.

One adverse factor in the silk trade was the progress of cotton manufactures in England "which almost entirely banished silk from the dress of British ladies." The export to England during the seven years 1786 to 1792 averaged 319,832 lbs. a year as compared with the average annual export of 560,283 lbs. during the decade 1776-1785. This trade received a further check with the outbreak of the war with France in 1793. There was a severe depression in the English silk

63 Letter from the Court of Directors dated March 28, 1788.

manufactures and the Company postponed its September sale of the year till February next, when the silk was disposed of at such low prices that the Company lost £47,746. To guard against future losses, the Company resolved "that the surplus quantity of silk beyond what the markets could take in its raw state, was to be thrown into the organzine in England." This experiment was successful and in spite of the war, the Company's trade in raw silk showed a partial recovery.

Saltpetre.

Unlike raw silk, the sale of saltpetre in England increased during this period. During the ten years from 1783 to 1792, the Company's average annual sale of saltpetre in England reached 331,30 bags,[64] *i.e.*, double the quantity annually sold during the eight years of war from 1775 to 1782. This increase was mainly due to the resumption of the re-export trade in saltpetre from England in the years of peace. It appears from a letter of the Court of Directors, dated April 12, 1786 that the Company had been compelled to reduce considerably the price of saltpetre to meet the competition of the Dutch, the Danes and the Portuguese. In their letter of April 8, 1789 the Court of Directors complained that although they had gradually reduced the price of saltpetre from 80s. to 42 s. per cwt., the demand did not show sufficient increase. In

64 Colebrooke—*Remarks on the Husbandry etc., op. cit.* p. 113.

their letter of May 19, 1790, the Court of Directors remarked, "we have again reduced the price (of saltpetre) to 38s. . . . but out of 39,703 bags offered at the September sale only 24,896 sold at the advance of 6d. In the March sale of this year we declared 32,390 bags at the same price but only 21,354 sold. We have now in warehouse unsold 18,541 besides what we expect by the approaching arrivals." But this glut disappeared with the outbreak of the war with France. It appears from the letter of the Court of Directors dated October 10, 1792 that in the saltpetre sale of that year 22,000 bags were sold at an average price of £3 7s. 10d. per cwt. The Court of Directors rightly observed that this increased demand was "owing to the present continental troubles more than to any regular or permanent increase of consumption." But apart from the profits of this sale, the Company's trade in saltpetre was generally unprofitable during the administration of Cornwallis.

Indigo.

Indigo continued also to be generally an unprofitable export. In their letter dated March 28, 1788, the Court of Directors observed: "in the article of indigo from the time our Board of Trade entered into the first contract for that article with Mr. Prinsep in the year 1779-80 up to the latest period, we are sorry to remark the very heavy losses that have constantly accrued thereon." Accordingly the

Company threw open the indigo trade to private individuals in 1788 for three years. "We are led to the measure of laying open this branch of trade," wrote the Court of Directors, "in the hopes that it will create among individuals that kind of competition, which will not fail to operate in bringing the article to its greatest possible state of perfection, and as well as to ascertain the lowest rate at which it is possible to be manufactured: in addition to which, we conceive that it will afford the Company's servants a legal, ample, and we hope, advantageous mode of remitting their fortunes to Europe." These objects were partly realised. Under European enterprise, the quality of Bengal indigo rapidly improved. In their letter of May 30, 1792, the Court of Directors noted with satisfaction that "it (Bengal indigo) had already surpassed the American and French and there is no doubt but by perseverance and attention of the planters it will effectually rival the Spanish." It appears from this letter that the use of French indigo in England had at that time been entirely replaced by that from Bengal, the former being chiefly imported for re-export. Another circumstance favourable to Bengal indigo was the rapid decline in the cultivation of this dye in St. Domingo from which the French drew their supplies. In course of seven years from 1783 to 1789, the cultivation of indigo there fell off nearly 50

per cent. while that of coffee increased rapidly. The Negro insurrection in St. Domingo in 1791 had further checked the production of indigo and other articles in that island.

Sugar.

This insurrection gave the East India Company an opportunity of exporting Bengal sugar. A small quantity of it appears to have been first sent to England in 1791 and sold there "at a high price." In their letter dated November 3, 1791, the Secret Committee of the Court of Directors referred to the rise in the price of sugar in England on account of the destruction of a large number of sugar plantations in St. Domingo during the Negro rebellion. In their General Letter of December 11, 1791, the Court of Directors asked for a large quantity of sugar in the ships of the ensuing season. But apart from such occasional demand, the import of Bengal sugar was generally trifling in amount. One great obstacle was the heavier import duty on it as compared with sugar coming from the British West Indies. The long voyage round the Cape of Good Hope also deteriorated the quality of Indian sugar.

Sán and *Pát*.

Another new class of exports which the Company ordered in 1791 consisted of fibres called *sán* (hemp) and *pát* (jute). With regard to the former, the Court of Directors observed in their letter of October 23, 1793, that the sample

of *sán* "will not serve for the purpose of cordage or sail cloth," the two chief sources of consumption. But to give it a fair trial, the Court ordered a shipment of 100 tons. "Of the sample called *paat*," remarked the Court of Directors in the same letter, "more favourable mention can be made. Some of the most eminent dealers declare that it is not hemp, but a species of flax superior in quality to any known in the trade." The Court of Directors ordered a shipment of 1,000 tons. This is the earliest mention of the export of raw jute to England. Even as late as 1825, when the British manufacturers were experimenting with jute, there was such a prejudice against its use that brokers dealing in fibres were required to guarantee their sales free from adulteration by jute.[65] Pure jute yarn, spun by machinery at Dundee, was first sold in 1835 and from that time the British demand for raw jute increased.

Profit and loss in the export trade.

Though these attempts to push the sale of new commodities in England did not prove successful, the Company's export trade was generally profitable. This appears from the statement of the Company's half yearly sales from March 1788 to March 1790, given on the next page.

65 Lecture delivered at the Blue Triangle Club, Y.W.C.A., Calcutta by Mr. R. N. Band, President of the Jute Mills Association, on November 27, 1925.

Sale in	Goods sent	Quantity sent	Prime Cost £	Total Cost £	Sale Price £	Profit £	Loss £
March, 1788	Piece goods	228,033 (pieces)	214,286	364,233	367,909	3,676	
	Raw silk	73,329 (great lbs.)	52,478	77,122	87,848	10,726	
	Indigo	70,350 (lbs.)	18,930	21,879	18,083	...	3,796
	Saltpetre & Redwood	......	30,900	121,254	60,483	...	60,771
	Drugs	......	1,278	2,778	1,001	...	1,777
Sept., 1788	Piece goods	371,350 (pieces)	301,500	557,316	619,874	62,558	
	Raw silk	124,296 (great lbs.)	94,117	135,235	134,040	...	1,195
	Indigo	100,308 (lbs.)	21,585	25,355	20,377	...	4,978
	Saltpetre & Redwood	......	20,024	78,714	40,922	...	37,792
	Drugs	......	2,027	2,863	2,377	...	486
March, 1789	Piece goods	142,563 (pieces)	140,706	249,127	283,348	34,221	...
	Raw silk	97,635 (great lbs.)	78,250	111,887	119,039	7,152	...
	Indigo	79,562 (lbs.)	16,430	19,538	14,627	...	4,911
	Saltpetre & Redwood	......	18,815	70,560	38,048	...	32,512
	Drugs	......	5,729	9,109	6,128	...	2,981
Sept., 1789	Piece goods	471,848 (pieces)	314,377	570,027	678,086	108,059	...
	Raw silk	148,140 (great lbs.)	115,575	164,845	170,232	5,387	...
	Indigo	187,504 (lbs.)	36,887	44,301	45,259	958	...
	Saltpetre & Redwood	......	31,260	140,941	66,966	...	73,975
	Drugs	......	8,229	16,730	10,859	...	5,871
March, 1790	Piece goods	82,871 (pieces)	234,800	435,258	546,960	111,702	...
	Raw silk	108,597 (great lbs.)	97,323	135,422	154,789	19,367	...
	Indigo	194,185 (lbs.)	31,433	38,499	39,658	1,159	...
	Saltpetre & Redwood	......	20,920	102,980	55,152	...	47,828
	Drugs	......	2,311	3,219	3,996	777	...

This table has been compiled from the Commercial Letters from the Court of Directors and shows the profit and loss in the Company's export trade during the period. The prime cost has been converted into sterling at the rate of 10 current rupees to the £. The total cost includes the prime cost, customs, freight and other incidental charges.

Company's losing trade.

It appears from the foregoing account that the chief source of the Company's profit in trade was cotton goods. But the war with France and the heavy import duty[66] in England made the export of cotton goods unprofitable. It appears from the Wellington Despatches[67] that the East India Company was a loser on its trade with India.

66 It appears from Baines's *History of Cotton Manufactures in Great Britain* that the following were the rates of duty per cent on East India cotton goods imported into England during the Napoleonic Wars.

YEAR.	White Calicoes.			Muslins and *Nankeens.*		
	£	*s.*	*d.*	£	*s.*	*d.*
1802	27	1	1	30	15	9
1803	59	1	3	30	18	9
1804	65	12	6	34	7	4
1805	66	18	9	35	1	3
1806	71	6	3	37	7	1
1809	71	13	4	37	6	8
1813	85	2	1	44	6	8
1814	67	10	1	37	10	0

67 *Wellington Despatches* edited by Owen (Clarendon Press) 18[illegible]—*Memorandum on Pulo Penang* (1797), p. 487.

"This arises not from the nature of the trade itself, but from their double character of merchants and governors, together with that of their political character at home, which cause considerable unnecessary expense and extravagance in their mode of conducting their mercantile transactions."

Commercial Treaty with America.

Though the Company's trade rivals had not to incur this unnecessary expenditure, they dropped out one by one. The war in Europe prevented trade by the French and the Dutch. The Portuguese and the Danish trade however went on till 1806 and 1808.[68] The real trade rivals then were the Americans who, although beginning in a small way, made rapid progress. Hastings wrote in his Memoir[69] in 1785, "I have not mentioned the Americans among the foreign importers; but as their ships have already found their way to China, other adventurers may come to Bengal." This forecast proved true and within a year the first American ship reached Bengal. The East India Company thought it politic to admit the American

68 For fuller details regarding the trade rivals of the English East India Company, reference may be made to the author's article on the *History of Indian Commerce* (1765-1813), in Sir Asutosh Mookerjee Silver Jubilee Volume 1 (Calcutta University), 1921.

69 Warren Hastings—*The Present State of the East Indies*, p. 52. This memoir was written by Hastings during his voyage to England in 1785.

vessels to its ports instead of compelling them to carry on their trade with the other European settlements in India. This "gratuitous license revokable at pleasure" was confirmed by a treaty between England and the U. S. A. on November 19, 1794,[70] which granted to the latter the right of direct trade with British India. This enabled them to obtain the produce of Bengal much cheaper than they could by the circuitous route in Europe.

American trade with Bengal.

This facility and the war in Europe rapidly increased the American trade. In the *Report on External Commerce in Bengal* for 1795-96, Brown writes, "the exports (to America) have been gradually increasing since 1792, owing to the preference given in America to goods manufactured from cotton, which appear to be better adapted to the climate than Irish linens." The chief item of export to America was cotton goods and the main import was treasure. America being then an agricultural country, had few exportable goods to Bengal. But in spite of this, the belligerent state of Europe made the trade with Bengal highly profitable to America. It is stated in the *Report on the External Commerce of Bengal* for 1796-97 that

[70] This is known as the Jay Treaty. Some of its articles relating to Indo-American trade are quoted in the General Letter from the Court of Directors dated August 31, 1796.

"the net profit of a voyage to Bengal, if the ship brings dollars, is estimated at 60 per cent. after the payment of every charge incidental thereto, and debiting the adventure with an interest at the rate of 7 per cent. per annum. This profit is generally realised in fifteen months." But the war between England and the United States (1812-1815) put a sudden stop to this lucrative trade.

Charter Act of 1793.

It is therefore clear that the forces of competition were not at work even towards the close of the eighteenth century and the English East India Company enjoyed a practical monopoly of Bengal trade. But in 1793, the Parliament passed the Charter Act (33 George III, Cap. 52) which made the first breach in this barrier of trade restraint. Up to this time, no British subject could take part in the trade between England and India except with the express permission of the Company. The commanders and officers of the ships employed in the Company's service were however allowed to occupy a certain portion of the tonnage. By the Act of 1793 it was laid down that the Company should provide at least 3,000 tons of shipping every year in their export and import trade for private traders. The tonnage thus allotted for the conveyance of goods from all parts of India, proved inadequate

for Bengal alone.[71] Yet the Act of 1793 is important as it marks the beginning of economic freedom in India.

Freedom of inland trade.

Cornwallis had already anticipated the British Parliament in this policy of economic freedom and passed a series of measures removing restraints on trade, industry and labour. One of the wisest measures of Cornwallis which did more for the economic welfare of the people of Bengal than the breaking of the Company's monopoly of foreign trade was the abolition of Government Customs duty from the end of June, 1788. This burdensome tax on consumption had been imposed by Hastings in 1773, and its abolition involved the sacrifice of an annual revenue exceeding ten lacs of rupees. The five customs houses established by Hastings in 1773 at Calcutta, Hughly, Murshidabad, Dacca and Patna were accordingly abolished and a new one established at Manjee at the confluence of the Ganges and the Gogra on the Benares frontier where alone a duty of 2½ per cent. was levied. But this did not bring about complete freedom of inland trade in

[71] The tonnage occupied with Bengal private goods from 1794-95 to 1799-1800 were as follows:

Year	...	1794-95	1795-96	1796-97	1797-98	1798-99	1799-1800
Tonnage	...	2473	5346	4657	3787	6223	7748

—Letter from the Hon'ble G. Udney, Member of Council to the Marquess Wellesley in *Wellesley Despatches*, edited by Martin, Vol. V, p. 129.

Bengal, because the *zamindars* still continued to levy transit duty on goods passing through their estates. Hastings failed to stop this evil. In the General Regulations for the Conduct of the Collectors, passed on June 8, 1787, the Collectors were therefore "directed to enforce the repeated orders of Government, for the abolition of the Zemindaree *chokies*, at which the *sayer cheluntah*" or transit duties were collected. This Regulation also proved futile. In June 1790, Cornwallis therefore declared illegal the *zamindars'* right of levying any kind of inland duty, *e.g.*, duties at *háts* and *gaunjes*, as the only effectual means of stopping the evil. This gave relief to the country traders to a great extent.

Attempt to remove oppression on manufacturers.

Cornwallis also passed certain Regulations to remove the oppression on the weavers and on the manufacturers of salt and opium. By the Regulations for Weavers, passed on July 23, 1787 it was laid down that "weavers not indebted nor under engagements to the Company should not be compelled to enter into their employ and weavers indebted to the Company or under engagements to them, on duly discharging such debts or engagements should not be compelled to enter into fresh engagements." These were re-enacted in Regulation XXXI of 1793. Similar Regulations had been passed

on December 10, 1788, giving the salt manufacturers who had completed their engagements the "liberty to renew or not to renew them in future." With regard to the *ryots* who were sometimes forced to cultivate poppy against their will, Cornwallis gave partial relief by modifying the terms of the opium contract. According to one of these terms, published on July 11, 1785, the opium contractor was to pay a penalty of Rs. 300 for every chest of opium, short of the stipulated quantity. This must have been one of the reasons why he compelled the *ryots* to cultivate poppy against their will. The fresh contract for opium, four years later, remitted this penalty if the deficiency was due to natural calamities. It was also provided that the contractor was "not to be permitted to compel the *ryots* to engage for the cultivation of a greater number of *begas* than they cultivated the preceding year." These measures, though but partly successful, were the first systematic attempts to restore economic liberty to indigenous labour.

Proclamation against exporting slaves.

Another important measure was the Proclamation of July 22, 1789 by which the exportation of slaves was declared illegal. Slavery was a very old institution in this country and quite a large number of labourers engaged in agriculture and domestic work in Bengal were slaves up to the middle

of the last century. In famine years parents were sometimes compelled to sell their children. Adults in pecuniary difficulty also sold themselves as slaves.[72] Unlike the Negro slaves of America, these unfortunate persons were on the whole kindly treated by their Bengali masters. The question of abolition of slavery was therefore not so urgent in Cornwallis's days as the stoppage of the infamous traffic in human beings. Ever since the days of the Portuguese, the Bengalis were kidnapped and sold in other parts of India and in foreign lands. This trade, as the President and Council of Revenue observed[73] on May 17, 1774 "greatly increased since the establishment of the English Government in

72 The following is the translation of a Bengali sale deed of November 1794, quoted in James Wise's *Notes on the Races, Castes and Trades of Eastern Bengal,* p. 316 :—

"I, Ram Kisto Pal, son of Tula Ram Pal, and grandson of Ram Dev Pal, do hereby execute this deed of sale. Owing to the debts incurred at my marriage, and which I am unable to pay, I, in my proper mind and of my own free will, sell myself to you on my receiving a sum of *purojondohomasi* (*i.e.*, full weight of 10 mashas) rupees twenty-five, and I and my descendants will serve as slaves as long as we are given subsistence allowance and clothing, you, your sons and grandsons shall make us work as slaves and have power to sell or make a gift of us to others."

Similar sale deeds appeared a few years ago in several Bengali periodical magazines. It appears from one of these deeds that an adult person sold himself for 12 rupees in the famine year 1788.

73 Extract from the proceedings of the President and Council of Revenue, establishing certain police regulations regarding the status of servants and slaves, dated May 17, 1774 (O.C. 7, June 9, 1777).

it (Bengal). The influences derived from the English name to every man whose birth, language or even habit intitles (*sic*) him to assume a share of its privilidges (*sic*) and the neglect of the judicious precautions . . . . . . having greatly facilitated this savage commerce, by which numbers of children are conveyed out of the country on the Dutch and especially the French ships." Hastings tried to stop this inhuman practice by declaring illegal the purchase and sale of slaves from July 1, 1774. Cornwallis's measure was more effective than that of his predecessor.

Genesis of Permanent Settlement.

But the most important economic measure associated with the name of Cornwallis is the Permanent Settlement of land revenue in Bengal, which had far-reaching consequences not only on labour but also on capital, as it affected agriculture, the greatest industry of the province. We have already seen how the farming of revenue in the early years of British rule ruined both the *zamindars* and the *ryots* of Bengal. It enriched only the revenue farmers at the expense of these classes and also of the State. The question of Permanent Settlement as a remedy attracted the attention of the Company's servants as early as 1772. Prof. Ramsbotham contends therefore that Francis was not the originator of the Permanent

Settlement in 1776, as is commonly believed.[74] But it cannot be denied that it was Francis who first started in England the agitation for Permanent Settlement which brought about its adoption. His minute of January 22, 1776 considerably influenced the leading statesmen of England. Pitt might have got the idea from Francis's *Plan* when in his India Act of 1784 he directed the Court of Directors to establish "permanent rules by which the tributes, rents and services of the rajas, zamindars, polygars, talúkdars and other native landholders should be in future rendered and paid." Two years later, the Court of Directors sent their despatch of April 12, 1786, in which they expressed the opinion that the spirit of Pitt's Act would be best observed by making the settlement of land revenue permanent and that this settlement should as far as possible be made with the *zamindars*. They also ordered that the settlement should be immediately made for ten years and at the end of that period, if the arrangement proved satisfactory, it was to be made permanent. It is thus clear that the Permanent Settlement "was no product of any pre-conception of Lord Cornwallis in favour of the landlord system of England." The

74 Prof. Ramsbotham's paper on *Some Suggestions for Stabilising the Settlement of the Land Revenue in Bengal previous to 1786*, read at the Seventh Meeting of the Indian Historical Records Commission in January, 1925.

measure had in fact taken its shape before Cornwallis arrived in Bengal.

On the other hand, Cornwallis deferred the conclusion of the Decennial Settlement till 1789 for further enquiry into the Bengal land system. But when the time for taking the final decision came, some members of the Court of Directors, influenced perhaps by Shore's able minutes[75] in which he pleaded for a long period and not a permanent settlement, objected to perpetuity. It was Dundas, the President of the Board of Control, who, supported by Cornwallis on the one hand and by Pitt on the other, had the measure adopted by the Court of Directors,[76] which was "forwarded to Bengal in the form of a despatch on September 19, 1792." This was the basis of the Proclamation of March 22, 1793, declaring the settlement to be permanent.

Cornwallis's share.

The ultimate results of the Permanent Settlement were, as already stated, far-reaching. But we are concerned only with its immediate effects. These alone will be briefly examined here. It gave the *zamindars* the proprietory right to land which they, or at least most of them, had never enjoyed before. Yet the measure was opposed

Effect on landlords.

75 Shore's *Minutes* of September 18 and December 21, 1789.

76 Sir George Forrest's *Selections from the State Papers of Governors General of India*—Cornwallis, Vol. I, pp. 204-206.

by the landlords. The sale laws[77] made it unpopular. Though apparently milder than the old method of realising revenue through imprisonment, the sale laws gave the last blow to the old aristocracy of Bengal. In the course of the twenty-two years following the Permanent Settlement, one-third or rather one-half of the landed property in Bengal was transferred by public sale.[78] This created a panic and its was sometimes difficult to get purchasers for the defaulting estates. Cases were not rare when the sale proceeds did not cover the amount of arrears, thus causing a loss to the Government. Another cause which contributed to the extinction of the old *zamindars*, was the right granted to them of transferring their properties. Their estates also became available to their creditors for the realisation of the claims on them. Some of the *zamindars* saved themselves from ruin by creating permanent sub-infeudations. Thus within a few years of the Permanent Settlement the old landed families of Bengal were either ruined or sank into the position of mere pensioners without any direct connection with the soil.

77 At first the *zamindaries* were sold not in the districts to which they belonged but in Calcutta at the Office of the Board of Revenue. This gave rise to extensive frauds and intensified the rigours of the measure.

78 The sale notification of revenue-paying estates took up the bulk of the issues of the *Calcutta Gazette* of the time and in addition Extraordinary issues had to be printed.

Effect on *ryots*.

The effect on the *ryots* was no less lamentable. To ensure the punctual payment of land revenue, the hands of the *zamindars* had to be strengthened. By Regulation VII of 1799, they were empowered to distrain their tenants' property for rent, without sending notice to any court of justice. It is no wonder that this power was abused. But for some time at first it could not in practice operate harshly against the tenants. About one-half of the cultivable land in Bengal was at that time waste, covered with jungles, and the competition among the landlords for *ryots* saved them from immediate rack-renting. But it must be said that the Permanent Settlement did nothing to protect their customary rights. Cornwallis's idea that the landlords would grant leases to the tenants, who would execute a counterpart and thus protect their respective rights to land, proved to be a pious wish. On the other hand, the maintenance of the village record of rights, as a check to rack-renting, was discontinued. On the introduction of the Permanent Settlement, the office of the *Kanungo* was abolished throughout Bengal and Behar. Supported by Regulation VIII of 1793, the landlords succeeded without much difficulty in gradually transforming the village *patwaris* into their own servants.

On economic life.

An inordinately high state demand exacted with the utmost rigour could not possibly have produced any other result. It was futile to hope that it would bring any immediate prosperity either to the landlords or to the tenants. The decay of industries had already commenced, and the landlords and the tenants then formed the bulk of the people. Thus the desire of "the Hon'ble the Court of Directors . . . . to promote the future ease and happiness of the people," as stated in the Permanent Settlement Regulation, was not fulfilled.

CONCLUSION.

The outstanding features of the history we have so long traced, are decline of industry and loss of capital during this period. The premier industry of the province was the manufacture of cotton goods, which though a cottage industry, was by no means small in volume or insignificant in its total effect upon the economic wealth of the country. For, not only did Bengal clothe her own large population with the products of her looms, but she had a considerable surplus left over for export. What were the causes that led to the decline of this industry?

It used to be held by one school of writers that the hostile tariffs imposed by England on Bengal piece-goods, were mainly responsible for its decline. But these tariffs restricted only the English market, which, though a growing one, was comparatively small, and the loss of this market alone did not immediately affect us to any great extent. The real effect of these tariffs, as indicated in Chapter I, was to give an impetus to the adoption of machinery in England for the manufacture of cotton goods.

Was then the Industrial Revolution in England the real cause of this decline? As a matter of fact, however, a minute study of our

economic history conclusively proves that the cotton and silk industries of Bengal had begun to decay even before the competition of machine-made goods began to be felt in this country. Years of monopolistic control of manufactures had already produced their natural effects in Bengal. Scarcely had our industries partially recovered from this state of things, when at the end of the eighteenth century the wars of England with Revolutionary France and her European allies shut almost the whole of the Continental market to the products of Bengal. When the year 1815 brought these wars to a conclusion, Bengal found to her dismay machine-made English goods flooding not only her foreign but even her home market. The Industrial Revolution in England therefore only hastened the decline of the Bengal industries which had begun before.

It has also been contended that a deliberate policy of crushing our cotton industry, systematically pursued by the English East India Company, was the real cause of its ruin. This, as we have explained in Chapter II, is not true. What was really objectionable was the Company's monopolistic control of manufactures and the oppression on the weavers which it necessarily entailed. Many of them left their looms permanently and did not return to them even after the oppression had ceased to be practised. As the Court of Direc-

tors observed in their letter of November 11, 1768, "although one year's oppression may occasion them (the weavers) to lay aside their looms and take to cultivation or other means of subsidising themselves yet the restoring them will be the work of many years, for having once parted with their looms and implements, it may be years before they have money enough to supply themselves with new ones."

Whatever may have been the causes, the decay of her industries led to two disastrous consequences from which Bengal has not recovered even to the present day. Our greatest economic loss has been the destruction of the industrial spirit of the people. The suddenness with which the new order was ushered in after the battle of Plassey completely overwhelmed them. The other result has been a fatal dependence on agriculture, necessitated by the decay of manufactures.

During this period, most of the country's foreign trade passed into the hands of the Europeans. They started banks of their own and did not seek the assistance of the country bankers. This naturally affected the latter, who were further hit hard by the decline of inland trade, caused chiefly by the abuse of *dastaks* by the Company's servants. Part of this foreign trade and banking was then in the hands of non-Bengalis, who, however, had permanently settled in Bengal and had practi-

cally made this province their home. There was a consequential change in the character of Bengal's foreign trade. The export of raw materials began to increase and that of manufactured goods to decline.

We have also seen in Chapter II that within a short period of the battle of Plassey, Bengal lost a considerable part of her capital. The accumulation of fresh capital was retarded by the serious outbreak of anarchy and disorder that followed this change in the country's masters. What little capital there remained, was diverted to the purchase of landed estates, as they gradually became more and more valuable.

The ameliorative measures of Hastings and Cornwallis, however beneficial in other ways, did not really compensate the people for the loss of the industrial spirit and the destruction of capital. But it must be admitted that both these administrators were anxious to do good to the people. The chaotic state of the currency was a national evil of the greatest magnitude when Hastings assumed the reins of government. He made exhaustive enquiries into the currency system of the province, diagnosed the disease and tried to apply the proper remedy with courage and determination. The immensity of the task, technical difficulties in coining, and the heavy cost of recoinage stood in the way of his success. His attempt to restore internal order,

the reorganisation of inland customs, the various measures he took to promote trade, both inland and foreign, and above all, his anxiety to substitute the rule of law in a regime of irresponsible power, cannot but excite our highest admiration. It is true that his measures met only with very moderate success, but this is too often the fate of a pioneer working under trying conditions.

More fortunate was Cornwallis, who built mainly on the ground prepared by Hastings. Cornwallis's greatest economic gift was the uniformity of currency, a blessing which the country had not enjoyed even in the palmiest days of the Mughal Empire. But his other ameliorative measures, like the purification of the civil service, the establishment of law and order and the removal of restraints on industry and labour are certainly the indispensable requisites of economic progress. But in spite of all his attempts, Cornwallis failed to bring economic prosperity to the people of Bengal. The Permanent Settlement with which his name is associated in subsequent history, did not, as we have seen, bring any immediate benefit to the people, because the land tax continued to be very high for many years after. It was only the growth of population and the rise of prices which later on reduced the weight of the land tax. It did not bring about improved agriculture or increase of wealth but merely led to a system of

divided ownership which still lies at the root of the agricultural backwardness of Bengal.

But it is by the persistence and earnestness of their efforts, and not by the extent of their success, that we should judge Hastings and Cornwallis. Considering their political and commercial preoccupations and the "divi-hunting" policy of the Court of Directors, it is surprising that they succeeded in giving any relief to the people at all.

While they deserve praise for their earnest endeavours for the well-being of Bengal, we should not make too much of some of their measures, as certain writers have done. It is true that they encouraged the production of raw silk and indigo, but these being dependent on seasons could not afford that relief to cultivators during periods of scarcity, caused by drought etc., which hand spinning and weaving had given to them, as an occupation subsidiary to agriculture. Moreover, the economic benefit seems to have been somewhat neutralized by the oppression on the people associated in rural Bengal with silk and indigo manufacture. The case of raw silk has been considered in Chapter II. We do not come across any instance of oppression by the indigo planters before 1810. Till then the cultivation of indigo was not extensive in Bengal. But when it became well-established in the province, acts of oppression were not rare. Thus in the *Papers relating to East India Affairs*

(1813), we have the following extracts from *Bengal Judicial Consultations*, July 20, 1810:

"Mr. Turner of District Tirhoot was indicted for murder. The deposition was that he struck with fists several times and kicked a ryot who would not sow indigo. The latter died when kept in stocks at night. The jury acquitted Mr. Turner on the plea that the deceased was bitten by a snake." Mr. Clarke of the Purneah District "was charged with the murder of a ryot. The depositions state that the deceased had been sent for, to receive advances for the cultivation of indigo; but in consequence of his saying that he had no bullock, and therefore could not take advances nor cultivate to the extent required. . . . . Mr. Clarke . . . . . struck the deceased several times with his fists and kicked him. The deceased died the next morning. Verdict, man-slaughter; Sentence, a fine of rupees 400 and 12 months' imprisonment."

Many of the present day economic problems of Bengal have their origin in the days following Plassey, possibly even earlier in some cases. Only they have grown more complex in the course of time. Any attempt to apportion the blame between the rulers and the ruled, for what must have been equally painful to both, is after all an unprofitable exercise of ingenuity. Rather should our energies be directed to devise an adequate remedy, and to apply it if we can. One thing

is abundantly clear. The prosperity of rural Bengal never depended on her agriculture alone. She had industries supplementary to agriculture. Taking the estimate of Colebrooke, her population has more than doubled since 1793. It is difficult to believe that any improved method of agriculture alone can produce sufficient wealth to maintain this growing population in the modern standard of civilised life. History does not record any such instance in any other part of the world. The introduction of capitalistic farming has been advocated by many well-wishers of this country. But this is impossible without revolutionary changes in the land system, leading to far-reaching political and social consequences. Even if this were done, it would, in the absence of industrial development, only cause further misery to a large section of the people. Where will the surplus population thrown out of land go? In England, the hardship on the small agriculturists as a result of capitalistic farming was minimised by their absorption in the industries. The salvation therefore lies in the simultaneous development of agriculture by improved scientific methods, with necessary changes in the land tenure, as well as in a systematic fostering of suitable industries on proper lines. This requires courage, and in courage lies our only hope.

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